

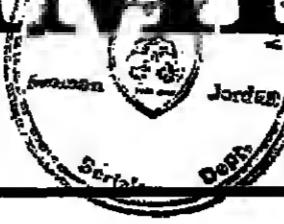
India	2.1	Winnipeg	Rs 2500	Portuguese	Rs 80
Japan	5.7	Tokyo	1,320	S. Africa	Rs 6.00
Kenya	1.51	Kigali	7550	Singapore	\$34.10
Uganda	1.21	Kampala	7500	Paris	Fr 110
Malta	1.25	Valletta	2000	Colombo	Rs 30
Lebanon	1.25	Beyrouth	15.00	Sri Lanka	Rs 6.00
Yugoslavia	1.21	Belgrade	15.42	Sydney	St 5.50
Malta	1.00	Nicosia	15.25	Gibraltar	St 2.20
Malta	0.90	Nicosia	15.25	New York	St 2.20
Malta	0.80	Nicosia	15.25	Toronto	St 2.20
Germany	0.20	Munich	15.00	Tokyo	Rs 80
Malta	0.10	Nicosia	15.00	Hong Kong	Rs 12
Philippines	0.10	Manila	15.00	U.S.A.	St 1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday October 1 1985

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World news

Business summary

4 Soviet diplomats kidnapped in Beirut

Indicators point to upturn in U.S.

Four Soviet diplomats were kidnapped at gunpoint in the Moslem-controlled sector of west Beirut, according to Lebanese police and a Moslem militia group contacted by the Soviet embassy. The embassy would not comment on the matter.

This was the first time Soviets had been a target in the wave of kidnappings that has driven Westerners out of Beirut since March last year.

There was no immediate explanation about the motive behind the abduction. Syria, Moscow's closest ally in the Middle East, has been backing a multi-pronged offensive by left wing militia groups against Moslem fundamentalists entrenched in the northern port of Tripoli. Page 26

Kinnock switch

British Labour Party leader Neil Kinnock will try today to shift attention away from his probable defeat at the party's annual conference on the reimbursement of the National Union of Mineworkers for strike costs and fines towards a reappraisal of policy on public ownership and employment rights. The conference yesterday defeated a proposal to establish separate black sections. Page 11

Polisario expelled

Spain ordered the expulsion of representatives of the Western Sahara Polisario Front in response to an attack by Polisario guerrillas on Spanish ships off Morocco last week. Page 2

Angola raided

Angola said South African aircraft had struck its forces in the south-eastern province of Cuanza Cabanga, killing more than 50 soldiers in an operation in support of South African ground troops helping Angolan rebels. Page 41

EEC allowances

EEC allowances for travellers on goods bought duty-paid in a member country go up from today but not for Denmark, Ireland and Greece. Personal shopping allowed goes up by Ecu 70 (55) to Ecu 350 and travellers can buy five litres of wine instead of four. Page 4

Quebec leader

The Parti Quebecois elected Pierre Marc Johnson to succeed René Lévesque as the new premier of Quebec. Johnson, 39, is currently the province's Justice Minister. Page 4

French strike

France's Communists, CGT union, the country's largest, said it was planning a one-day general strike on October 24 to protest against the Socialist Government's economic policies. Page 33

53 Filipinos killed

At least 53 Filipinos were believed to have been killed when Malaysian gunboats and helicopter gunships attacked a remote island in the southern Philippines. Page 23

Signoret dies

Suzanne Signoret, the Oscar-winning French actress, died of cancer at her home in Normandy. She was 64. Page 64

Managua fever probe

Nicaragua is studying the possibility that the U.S. caused dengue fever and cotton pest outbreaks in the disputed territory of Kashmir. Page 27

Kashmir fighting

Heavy fighting between Indian and Pakistani troops erupted in the disputed territory of Kashmir. Page 27

Mexican relief

British troops have successfully dug out and shored up the telephone and communications centre in earthquake-hit Mexico City. Page 41

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Reagan calls allies into talks before Gorbachev summit

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT RONALD REAGAN has invited his leading Western allies to an unusual seven-nation summit in New York on October 24, less than a month before his Geneva meeting with Mr Mikhail Gorbachev, the Soviet leader.

The White House said that Mr Reagan wanted to discuss military, economic and political issues with his allies in advance of his talks with Mr Gorbachev, his first with a Soviet leader.

The seven participants at the New York meeting would be those attending the regular annual Western economic summits: the leaders of the U.S., Canada, Japan, West Germany, France, Britain and Italy. The last formal summit was held in Bonn in May, with the next due next summer in Japan.

Mr Reagan was already due to be in New York on October 23 and 24 to deliver an address to the United Nations, marking its 40th anniversary. A number of other Western leaders had been expected to attend a special commemorative session of the General Assembly at that time, although some of them, including Mrs Margaret Thatcher, the British Prime Minister, and President François Mitterrand of France, had not made their final plans known.

The view in Washington yesterday was that Mr Reagan was taking a risk if he hoped to line up his summit allies behind a refusal to negotiate star wars limits. At the Bonn summit, Mr Mitterrand caused

some embarrassment to the U.S. by making France's opposition to star wars, officially known as the Strategic Defence Initiative, only too clear.

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EUROPEAN NEWS

Yugoslav banks cut interest rates

By Alexander Lebed in Belgrade and David Buchan in London

YUGOSLAV banks are today, for the first time in several years, to cut interest rates in a move which officials in Belgrade and at the International Monetary Fund say marks a downward turn in the country's inflation rate, the highest in Europe.

The benchmark interest rate on three-month savings deposit will be reduced from 70 per cent (the level since July 1) to 61 per cent, and other generally lower lending and borrowing rates will be reduced, though by lesser amounts.

Yugoslav and IMF officials claim the reduced three-month deposit rate will still outpace the point ahead of the prevailing inflation rate, or "positive," as the IMF has insisted in its 1985-86 standby programme for Yugoslavia.

Continually rising interest rates have become unpopular in Yugoslavia. In its latest IMF programme, the Yugoslav Government negotiated a new formula for setting positive real interest rates.

This bases the three-month deposit rate on actual inflation in producer prices in the past three months and on inflation anticipated in the next two months.

Producer prices rose 3.8 per cent in June, 3.5 per cent in July, 5 per cent in August, and, on Government and IMF estimates, are expected to rise nearly 4 per cent in both September and October.

This formula, thus measures the prevailing annual inflation rate at 60 per cent, or one point lower than the new deposit interest rate.

Some observers in Yugoslavia believe the Government and Fund may be indulging in wishful thinking in their estimates of future inflation, and that, by today's interest rate cuts, are in effect giving up the unequal struggle in the years-long battle to achieve real or positive interest rates.

But officials in Belgrade and Washington insist that, after the changes in price policy in 1984 with a price freeze and then a price surge in 1985, there has been a "real" reduction in Yugoslavia's inflation.

Yugoslav fulfilment of its IMF programme has been a key precondition for foreign creditors to agree to reschedule the country's large debt.

After Greenpeace, Gorbachev's visit may not be plain sailing for the French leader, reports David Housego

Mitterrand sets tricky course in little-known waters

IT WAS French officials insist, Mr Mikhail Gorbachev, the Soviet leader, who took the initiative in proposing that France be the first Western country to visit him in his new role as Secretary General of the Communist Party. The French are under no illusions as to why.

France is the Western state most opposed to the U.S. Strategic Defence Initiative (SDI) and Mr Gorbachev who arrives in Paris tomorrow may want to exploit that difference to sowing further discord in the Atlantic alliance. He may also use his visit to try to woo Western public opinion with a message of the Soviet Union as an "honourable and credible partner" on the international stage.

It was an opportunity as well of strengthening the national consensus over foreign policy as symbolised by the President because the Opposition has long been pressing the government to resume the dialogue with the Soviet Union. In many ways, the most important factor of all was that the visit gave M. Mitterrand the chance of emphasising his "independence" towards the Soviet Union by tapping the table over Russia's human rights record.

It is a much weakened French President who will greet the Soviet leader. M. Mitterrand is still suspected of having known about the sinking of the Greenpeace boat Rainbow Warrior early on, and stands accused of indecision and mismanagement following the operation to an extent that has ridiculed France's image abroad.

It is thus now doubly important for M. Mitterrand that he is seen to be holding his own against Mr Gorbachev while at the same time improving ties between the two states. The



M. Mitterrand... weaker hand on the tiller since the Rainbow Warrior scandal

most tricky area will be human rights. Mr Gorbachev is himself not likely to be shocked by the actions of the French secret services in sinking a boat that resulted in the death of a foreigner.

But it will be much more difficult now for a Socialist President to give the Russians moral lessons

Over SDI, the French accept

Officials say that M. Mitterrand will not mention in public the name of the Soviet dissident Andrei Sakharov as he did when he visited the Soviet Union in June last year. But he certainly intends to make clear French concern about Russian human rights violations.

At a bilateral level the French know that they will not budge "one millimetre" in their position over SDI and will not allow the visit to be used to exacerbate divisions within the alliance. But more problematic for them is that the Russian proposal for strategic weapons reductions will renew the pressure for French weapons to be counted as part of the SDI.

Though the French continue to refuse this, they are attracted by the idea of a halt to the SDI programme. So far

the French have failed to define where between research, testing and deployment they judge this half night might occur.

The four day visit will mark the return to the pattern of regular head of state meetings that marked Franco-Soviet relations during the 1950s and 1960s. General de Gaulle used to refer to the Russians as an "ally".

President Mitterrand, on coming to power in 1981, put Franco-Soviet ties on ice. This reflected French support for U.S. missile deployment in Europe, anger over Russia's invasion of Afghanistan and over Poland, and M. Mitterrand's feeling of the need for discretion while he had Communists in his government.

Since then, the atmosphere eased about 18 months ago. Relations have followed a zig-zag course. France expelled 47 Soviet diplomats in 1983 but did not join in Western sanctions after the shooting down of the Korean airliner.

At a bilateral level the French are dissatisfied with the current FFr 4.5bn (\$381m) deficit in their trade with the Soviet Union.

Moscow on offensive in Afghanistan, Page 10; Soviet foreign policy, Page 24

Polish officials predict 80% poll

By Christopher Bobinski in Warsaw

POLISH officials are confidently predicting an 80 per cent turnout on October 13 in parliamentary elections despite Solidarity's boycott call.

General Wojciech Jaruzelski, the country's military leader, kicked off his own election campaign at this weekend. These are first national elections since the martial law crackdown and Solidarity's leadership has given itself an unopposed national list in the elections.

However, the authorities will be seeking to make a good impression on the population in the next few days because of concern about the numbers who will stay away from the polls.

It was to this end that a crowd of party activists and other well-wishers turned up at Warsaw airport on Sunday to greet the General as his return to the United Nations. The trip had been the General's first visit to the West since taking office and had been primarily aimed at improving relations with the outside world.

But his trip had also been aimed at the domestic audience and at the airport he sought to follow up his performance at the UN.

In something approaching a Western electioneering style he patted babies, sought to charm their mothers and shook hands with the men, all for the benefit of the television cameras.

Without referring to notes, he gave a short speech urging Poles to unite around building the country's future. At one point he admitted that the Government at times itself made mistakes.

The attempt to appear less remote is part of a style the Jaruzelski leadership has been trying to foster since it took power four years ago.

Last week Mr Mieczyslaw Rakowski, a deputy Premier and one of General Jaruzelski's closest aides, dropped in unannounced at the Paris commune shipyard near Gdansk which was once a Solidarity stronghold.

In contrast to the airport greeting neither radio nor television were present.

Management made no attempt to conceal shopfloor problems as would have been the case in the 1970s.

Mr Rakowski's informal and easy manner during the visit was designed to show that the Government has a human face which it is ready to show to the shopfloor.

Militants swing behind Rocard

BY DAVID HOUSEGO IN PARIS

M. MICHEL ROCARD, the French Socialist leader, has substantially boosted his chances of being the left's candidate in a future Presidential election by polling an unexpectedly high proportion of votes amongst Socialist militants in the run up to the party Congress next month.

The dissident text that M. Rocard intends to submit to the Congress gathered almost 30 per cent of the votes of local constituency parties in a poll over the weekend. The only other text being submitted to party militants is the official motion presented by M. Lionel Jospin, the party's first secretary.

The strong swing in M. Rocard's favour reflects discontent within the party at the official leadership as well as a good deal of disenchantment with the Government over its handling of the Greenpeace affair.

Minister, who has been partially discredited by the Greenpeace affair, or M. Jacques Delors, currently President of the EEC.

M. Rocard's current conflict with the party leadership is based on his belief that the party should formally renounce its Marxist past and transform itself into a modern Social Democrat party.

He also believes that the party should leave open the option of entering into a coalition government with the centre or moderate right after the March general elections.

The party leadership was disappointed yesterday by M. Rocard's success.

M. Jean Poperen, the number two in the party, said that the 30 per cent of the votes that M. Rocard had scored was "30 per cent too much."

As a result of the vote M. Rocard's followers will have a far higher proportion of seats in the party's executive committee.

Grain imports from West planned

BY LESLIE COLITT IN BERLIN

BULGARIA, which has been hard hit by drought, will import grain from the West this year, the Yugoslav news agency Tanjug quoted Bulgarian President Todor Zhivkov yesterday as saying. Reuter reports from Belgrade.

Mr Zhivkov, who was addressing an East-West meeting of businessmen in the Bulgarian coastal town of Varna, did not say how much grain was involved but said it was "significant for the country's needs."

He linked the move to a bad winter last year followed by prolonged drought which had hit agricultural performance and created problems for the power industry.

He said Bulgaria was in a position to buy grain on Western markets because of its policy in recent years of reducing its foreign debt and building up foreign currency reserves.

Bulgaria drought forces meat output measures

BY LESLIE COLITT IN BERLIN

THE BULGARIAN Government has introduced emergency measures to boost meat production from private farm plots in the face of a drought which has "destroyed much of the harvest," according to the official media.

Nearly 40 per cent of meat output in Bulgaria comes from private household plots which cover over 13 per cent of arable land but which make intensive use of fodder from collective farms. They are tilled by well over 1m collective farmers and workers in their spare time.

A Government decree has ordered collective farms to provide additional supplies of fodder to the private plots to maintain livestock and poultry levels.

The number of pigs raised by private farmers is to be boosted by "paying them a premium" of at least leva 50 (\$50) for each pig over 110 kilos delivered to the state and

leva 40 if they use their own fodder. Collective farms have been instructed to begin distributing 100,000 breeding sows to the private plotholders starting in mid-December.

A commentary in the official media said Bulgaria could have raised foreign loans to import additional fodder but that experience showed such loans used for consumption were a mistake.

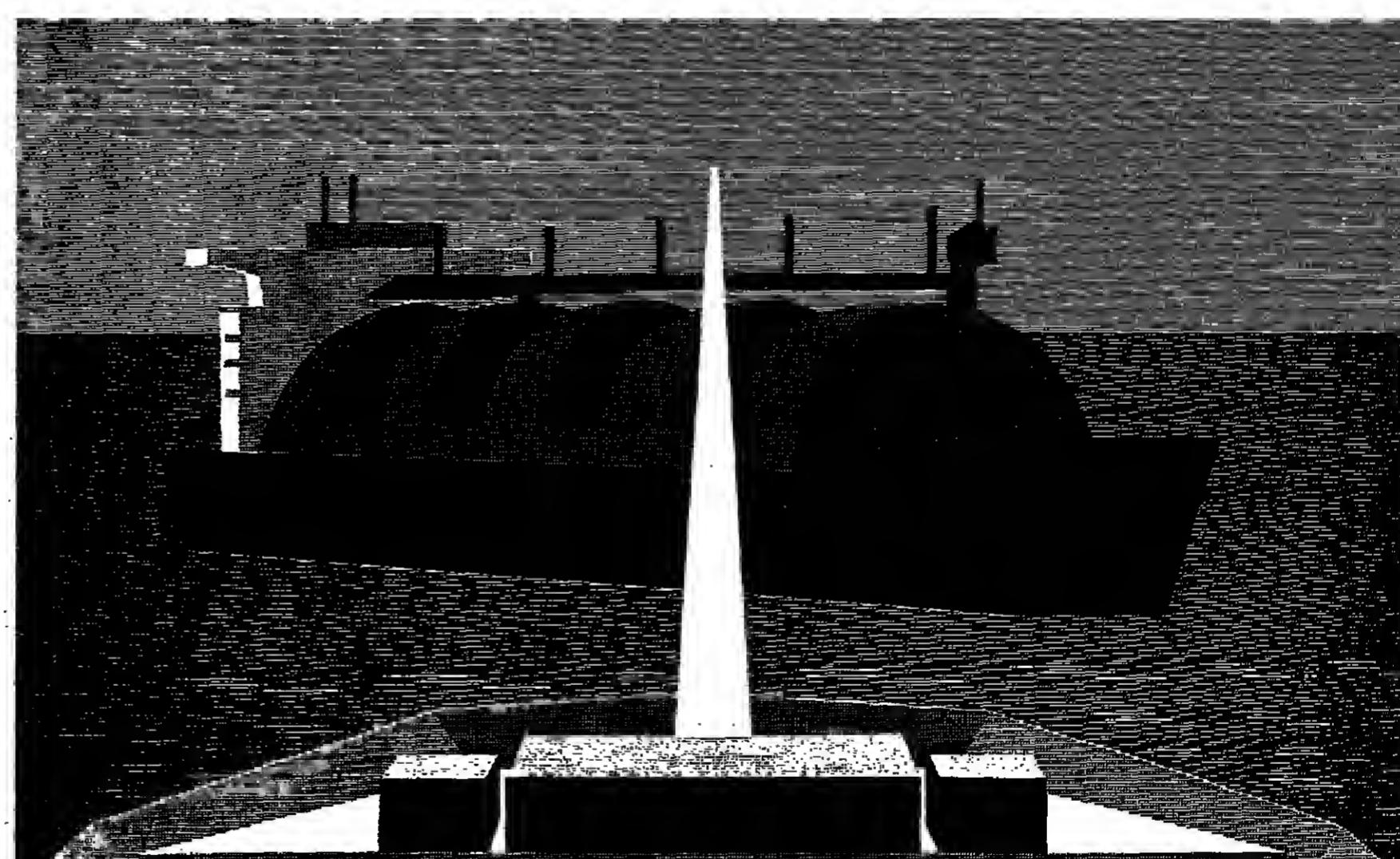
Bulgaria has the lowest debt to the West of any Comecon country.

Starting today considerable tax reductions are to be given to individual plot-holders who raise animals on the basis of contracts and deliver them to the state.

The Government said the bundle of measures would help "further develop private plots" and transform them into "natural extension of the public sector."

Krupp engineering for excellence

SUSAN: Krupp's computer-simulated training programme for handling ocean-going vessels.



The best collisions are SUSAN-simulated.

SUSAN is a ship-handling simulator developed by Krupp Atlas Elektronik*. She provides invaluable training for all conceivable nautical situations.

The Krupp process computers at the heart of the system generate realistic 1:1-scale scenarios. On screens affording a 250° bridge panorama, approach manoeuvres to harbours - even still under construction - can be practised. Ships can be tested before they are launched.

SUSAN has a realistic way of handling crews - tossing them about when it's stormy. Weather, visibility and traffic density change from one minute to the next.

The training provided by **SUSAN** drastically reduces the risk of human error and hence of environmental dis-

asters such as oil tanker collisions in coastal waters. Another new development from Krupp is NACOS 20, a computer-controlled navigation and command system similar to an aircraft automatic pilot. The radar display is the first to offer TV-picture brilliance. Vessel and ship-owner are linked on-line via satellite.

Krupp electronics are not only in their element at sea. West German TV network ZDF uses them for transmission scheduling and news programmes at its new broadcasting centre in Mainz. In industry they form the nerve centre of automated processes. In network super-

visory systems for urban transit they speed up services and keep them running on time.

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AMERICAN NEWS

U.S. and Jordan inch ahead on Mideast talks

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE U.S. and Jordan yesterday made "headway" towards agreement on a new round of Middle East peace negotiations, but took no final decisions, a senior Administration official said. "Complex and sensitive issues" remained to be resolved before negotiations could begin, said Fredriksson Ronald Reagan, following talks at the White House with King Hussein of Jordan.

Mr. Reagan repeated his insistence that direct Arab-Israeli peace talks should start by the end of the year, "under the appropriate auspices." But despite glowing expressions of U.S.-Jordanian friendship, the two Governments' positions did not appear to have come much closer.

King Hussein still believed that it was "essentially" that a preliminary meeting be held between the U.S. and a joint Jordanian-Palestinian delegation, and that there should then be an international conference, to which all five permanent members of the United Nations Security Council, including the Soviet Union, should be invited. U.S. officials said.

While some progress had been made on this so-called

"international context," Mr. Reagan still doubted how useful the Jordanian proposals would be in bringing about direct negotiations between the two sides, according to a senior Administration official. Washington has repeatedly said that any preliminary meeting must move rapidly on to the face-to-face Arab-Israeli negotiations that it is seeking.

U.S. officials were pleased that the King is now talking about a preliminary conference leading "promptly and directly" to negotiations.

There was no sign however, that the U.S. was any readier to meet the proposed Jordanian-Palestinian delegation. The U.S. remained concerned that some of the proposed Palestinian representatives had a fairly clear affiliation with activists by the Palestine Liberation Organisation, the U.S. official said.

Meanwhile, Mr. Reagan pledged that he would press a reluctant Congress to accept the major Jordanian arms package, notified to Capitol Hill at the end of last week, as meeting Jordan's "proven defense needs."

Salvador opposition leader steps down

By David Gardner in Mexico City

MAJOR Roberto D'Anchluss, the standard bearer of El Salvador's extreme right and for the last four years most potent symbol of the Salvadorean oligarchy's implacable hostility to even mild reform, has stepped down as leader of the Nationalist Republican Alliance (Arena), the country's main opposition party.

His resignation had been anticipated, and he himself had commented two weeks ago that the time had come for him to go back to "proselytism" or "missionary" activity.

He is to be replaced by Sr Alfredo "Freddy" Christiani, a 27-year-old and little-known coffee grower. His appointment would appear to be the first stage of a reorganisation of Arena under a more collective style of leadership.

Mr. D'Anchluss, a 26-year-old and physically handsome former army intelligence officer whose style mixed the flamboyant with the sinister, is widely credited with organising the far right's para-military death squads. They virtually annihilated the Salvadoran left's urban base in the run up to the five-year-old civil war.

Indicators signal modest upturn

BY NANCY DUNNE IN WASHINGTON

THE U.S. index of leading economic indicators rose 0.7 per cent in August, signalling at least a modest upturn in future activity.

Mr. Malcolm Baldrige, Commerce Secretary, said last month's figures and an upward revision in the July indicators from an 0.4 to 0.7 per cent increase is consistent with the Administration's previous predictions of a 4 per cent real economic growth rate.

Some private economists, however, said a variety of technical circumstances makes some of the indicators look healthier

than they really are. A boost in car sales, for example, has resulted from a temporary clearance-sale financing rate, and no one is sure the surge can be maintained.

Mr. Gordon Richards of the National Association of Manufacturers said the rise in the leading indicators shows the economy will grow more rapidly in the final quarter, but, "there is little evidence that this will translate into vigorous expansion."

Except for the car and aircraft industries, manufacturing

has been stagnant all year. Machine tool orders last month fell 8 per cent as durable goods makers showed continued caution in ordering factory machinery.

Analysts will be watching closely on Friday when the September unemployment statistics are to be released to see if last month's drop to 7.7 per cent was a seasonal lull or a sustainable trend.

It is clear however that the drop in interest rates allowed by the Federal Reserve early this year and defence spending are oiling the wheels of much

business activity. The lower cost in credit is spurring construction so that the number of new contracts last month rose 15 per cent, matching July's strong level.

Six of the eleven indicators contributed to the increase in the August index: money supply, building permits, average work week, net business formation, manufacturers' new orders for consumer goods and materials and average weekly initial claims for unemployment insurance.

Four indicators declined last month: the average of 500



common stock prices, a speedier pace of deliveries, lower raw materials prices and a decline in outstanding credit.

Johnson to be sworn in as Premier of Quebec

BY ROBERT GIBBONS IN MONTREAL

MR PIERRE Marc Johnson, 38, will be sworn in as premier of Quebec later this week after winning the presidency of the ruling Quebecois by a wide margin this weekend.

He is expected to call a provincial election soon, possibly on November 25 or December 2, using the momentum of a three-day leadership convention to try to roll back the Quebec Liberals and their leader, Mr Robert Bourassa, the former premier.

Mr. Johnson, son of Mr Daniel Johnson, the late Union Nationale premier, succeeds Mr René Lévesque, 63, who had his farewell as premier and PQ president on Friday evening.

In his acceptance speech Mr. Johnson said he will try to ease some of the tensions among minority groups in Quebec, make the economy more efficient and lower taxes and unemployment.

About 140,000 PQ members elected Mr. Johnson through a universal suffrage system. They voted at polling points throughout the province but the percentage turnout was a disappointing 60 per cent. Mr. Johnson won almost 60 per cent of the votes cast and gathered major strength in Montreal.

Panama's military chooses a new softer-line President

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

THE RESIGNATION of the President Nicolas Ardito Barletta at the weekend has underlined once again that no politicians can operate in Panama without the support of the country's powerful National Guard.

Sr Ardito Barletta was the military's candidate in the 1984 Presidential election, and they ensured he emerged the victor. Now he has stepped down, after no more than 11 months in office, because both his style and performance have alienated them.

His successor, Sr Eric Arturo del Valle, who was sworn in immediately afterward, is expected to make some early changes to appease a restless public and stimulate economic activity, which will almost certainly mean a renewal of talks with the International Monetary Fund.

The military are likely to support an easing of austerity to offset the social effects of severe unemployment, which has reached over 20 per cent in the two main population centres of Panama City and Colon. They also clearly favour the rising tide of public disaffection and the prospect of increasing social protest against Sr Ardito Barletta's policies, which the IMF had endorsed.

In many ways Sr Ardito Barletta seemed an ideal presidential candidate. A former vice-president of the World Bank dealing with Latin America, he appeared well qualified to cope with Panam's depressed economy, suffering from the heavy burden of \$3.6bn in foreign debt.

He had a proven democratic record and was untainted by corruption in a country where it is rife. Furthermore he had worked in Government, the legendary dignitary of the late General Omar Torrijos, which gave him a mantle of historic legitimacy. He was the clear choice of the 12,000-strong National Guard commanded by General Manuel Antonio Noriega.

The National Guard intended Sr Ardito Barletta to provide an honourable front behind which the military could adopt a lower profile, thus giving Panama a more "respectable" democratic appearance.

The most thing that went wrong was the election itself. Sr Ardito Barletta's victory was hotly contested by the opposi-



tion amid widespread allegations of fraud. He always denied these charges, but never managed to live them down because of his subsequent behaviour.

His period in office became a classic case of an accomplished technician failing to transform himself into a politician. The austerity policies which he sought to introduce were technically correct: for instance, he began cutting back Panama's excessively large public sector and held down wage rises. After years of easy living Panamanians were unprepared, however, for such measures.

His opponents claimed he was far too arrogant and inept in selling these policies, and as early as last November there were large-scale demonstrations by both student and professional groups against his economic policies.

He also managed to alienate colleagues in his own party by failing to consult them. This was unwelcome because he relied on a coalition in the National Assembly. At times, passing legislation became almost impossible because he could not be assured of the loyalty of members of his own party.

His approach to cleaning up corruption also earned him enemies.

President del Valle faces an uncomfortable introduction to his new job. This is the third time in under three years that the National Guard has politely told an incumbent president to resign before being publicly sacked, thus preserving a framework of constitutionality.

Mexican creditors ready to take hard line on debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO's creditor banks were preparing to take a hard line on the country's \$66bn (£47bn) foreign debt problem as they met Sr Jesus Silva Herzog, Finance Minister, last night for the first time since the earthquake.

Several leading creditor banks said before the meeting started they were against a proposal to allow Mexico to defer repayment of a \$950m instalment of principal due this week.

The proposal had been made by Citibank, which chairs the committee of leading creditors, and was again expected to argue in favour of it.

Talks between the two sides were to continue until late last night amid expectations in Mexico City that Sr Silva Herzog would make a multi-billion dollar loan request at

the meeting. However bankers said they were unlikely to agree to any new loan until Mexico is back in compliance with an international Monetary Fund official sector lenders, they said.

Mr Luis Alva Castro, Peru's Prime Minister, held private talks with leading banks in New York last week, the first contact between Peru and its Citibank-led committee of main creditors since the new government took office.

Bankers described the talks as exploratory, although Sr Alva Castro confirmed the mandate of the committee to negotiate with Peru. This is regarded as important because it establishes for the first time a channel for talks between banks and the government of President Alan García, which takes a hostile line on debt issues.

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OVERSEAS NEWS

Yen at 46-month high as need for upward surge is emphasised

The Japanese yen yesterday hit a 46-month high against the U.S. dollar on the Tokyo foreign exchange markets, as yet more senior Japanese officials spoke of the need for further appreciation of the currency.

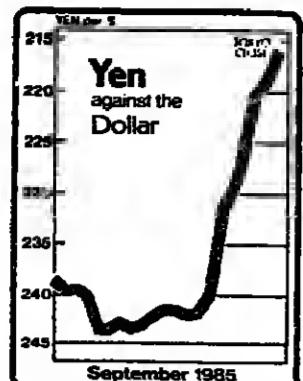
It did so on a day when it was announced that the Japanese current account and trade surpluses had retreated a little in August from their record pace of earlier in the summer.

The current account surplus reached \$2.49bn against \$2.60bn in July and \$5.53bn in June; the trade surplus dropped to \$4.35bn from \$5.41bn in July and \$5.71bn in June.

However, the contractions were ascribed to the vagaries of August when Japan usually exports less. Imports in fact also fell; in any case, both the current account and trade surpluses were both well above the levels of August last year, when they reached \$1.23bn and \$2.22bn respectively.

It is generally accepted that, over time, a stronger yen will reduce Japan's surpluses. However, this is not expected to show up in the statistics for several months. Indeed, in the short term, the surpluses may well increase.

In any event, the Tokyo



foreign exchange market was not of a mind to pay much attention to payments and trade figures. It responded more to the weakness of the yen on Friday, especially in London, and to the continued public comments of senior officials that the upward surge still had some way to run.

Mr Yasuhiro Nakasone, the Prime Minister, told a luncheon attended by senior businessmen yesterday that he wanted the yen to rise as far as possible, that he was pleased with the currency's firmness and that this was a natural reflection of

the country's strong economic performance.

Yesterday was also the turn of both Mr Satoshi Sumita, Governor of the Bank of Japan, and Mr Tomonori Oba, the influential Vice-Minister of Finance. Mr Sumita said in Osaka that he wants to see the yen stabilise at still higher levels which "properly reflect the fundamentals of the Japanese economy." No target zone for the yen existed, he added.

Mr Sumita also promised further intervention by the Central Bank, though there was little evidence that it sold dollars yesterday. Spot volume

was a relatively modest \$2.55bn.

The yen opened here yesterday at 216.50 in the dollar, well up on Friday's close of 220.80. It fell in the morning to 218.00 but rose in the afternoon to close at 218.00, its highest level against the dollar since December 3, 1981, when it reached 212.80.

Both the stock and bond markets took heart from the yen's appreciation. The Nikkei average of 225 selected shares rose by Y10.10 to close at Y12,700.11, while the yield on prime long-term government bonds fell to a little over 5% per cent.

According to a highly placed Kenyan government official, Libya delivered a shipment of arms to NRA troops in Uganda on September 25. Mr Yoweri Museveni, NRA leader who has been absent from the latest round of talks, last week contacted his commanders in the field to tell them to stop fighting. The order was ignored, the Kenyan official said.

Yesterday evening Mr Abraham Waliggo, the Ugandan Prime Minister, reassured Ugandans in Nairobi that "progress is being made." The stalemate on the make-up of a government to replace the former administration of Dr Milton Obote, deposed in a military coup on July 27, has been the major stumbling block to resuming peace.

The NRA, which had waged a protracted bush war against the Obote regime and resumed fighting September 12. The third round of peace talks hosted by Kenya opened in Nairobi on September 25. They have been carried on against a background of escalating fighting between the rebels and the Uganda National Liberation Army. The NRA are better disciplined and more highly motivated than the Ugandan troops but have lacked the artillery to mount an offensive against Kampala.

Last week Masaka, Uganda's third largest town, was taken by the NRA. The army barracks outside the town are still besieged, but a source in Masaka said the army troops have indicated they are willing to negotiate with the guerrillas.

Officials in Nairobi said an agreement for a peace formula had been reached in principle over the weekend. It centres around recruiting a new military force. The 12-man official Ugandan delegation led by Col Wilson Tole, Defence Minister and vice-chairman of the Military Council, has since been trying to work out the details of the peace formula with the 10-man NRA team.

The Foreign Ministry has taken particular interest in the recent recommendation of the House of Commons foreign affairs committee that Britain remain a member. That report pointed out that the salaries and consultancy fees earned by British citizens and institutions from Unesco (£9.5m in 1984) were nearly twice as large as the £5m annual UK contribution to the Unesco budget.

One of the pillars of Japanese foreign policy over the last 30 years has been support for the UN. However, financial contributions aside, it has never been one of its most visible and effective members, in good measure because it has invariably quietly done what the US has required.

Mr Abe's speech prosaged a more independent stance, yet officials concede privately that it is not proving easy to find subjects and areas in which Japan can carry out a distinctive niche for itself. The Unesco initiative appears to be

an attempt in this direction.

Although the senior officials were still being refined, Japan is planning a three-point reform programme which includes the shelving of some projects, a formula to de-politicise Unesco, and a system for reviewing the modus operandi of the organisation's controversial director general, Mr Amadou Mahtar M'Bow.

In particular, Japan will

resist suggestions believed to originate with Mr M'Bow and his supporters that Unesco staff redundancies should be directed at American citizens.

Because the US is no longer a member, and at Britons if the UK carries out its threat and withdraws.

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Japan hopes for Unesco reform

By JUREK MARTIN, OUR FAR EAST EDITOR, IN TOKYO

NEXT WEEK'S meeting in Sofia of the general conference of the United Nations Educational, Scientific and Cultural Organisation (Unesco) is looming as an early and important test of Japan's renewed commitment to try to reform UN institutions from within.

A senior Foreign Ministry official here emphasised yesterday that his Government's present inclination was to remain a member of Unesco and not to follow the lead of the US, which withdrew last year, and the UK, which has served notice to quit at the end of this year if satisfactory internal reforms are not brought about.

Japan is now the second largest donor to the UN after the US, and its withdrawal from Unesco would mean "the collapse of that organisation," according to the senior official.

He worked for reform from the inside, he added. Japan could serve as a bridge between Unesco, especially its Third World members, and the US.

But he went on, if the Japanese proposals to be presented next week in Sofia were given short shrift, Japan would be under pressure to reconsider

membership. The Sofia meeting, which follows an inconclusive session of the Unesco executive board in Paris, would also be critical for the UK, he said.

In his speech in New York to the UN General Assembly last week, Mr Shintaro Abe, the Foreign Minister, pledged that Japan would work to make the UN a more effective institution. His remarks were said to reflect the grace Japanese concern that failure to resolve the Unesco crisis could have a suicidal "snowball effect" throughout the UN organisation.

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financial contributions aside, it has never been one of its most visible and effective members, in good measure because it has invariably quietly done what the US has required.

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FT8

Tentative Uganda peace deal reached

By Mary Anne Fitzgerald in Nairobi

A TENTATIVE peace agreement between Uganda's ruling Military Council and the National Resistance Army has been reached following Libya's decision to provide the guerrilla movement with armed support. This is believed to have prompted the official Ugandan delegation to adopt a more conciliatory position.

Mr Sumita also promised further intervention by the Central Bank, though there was little evidence that it sold dollars yesterday. Spot volume

was a relatively modest \$2.55bn.

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at 216.50 in the dollar, well up on Friday's close of 220.80. It fell in the morning to 218.00 but rose in the afternoon to close at 218.00, its highest level against the dollar since December 3, 1981, when it reached 212.80.

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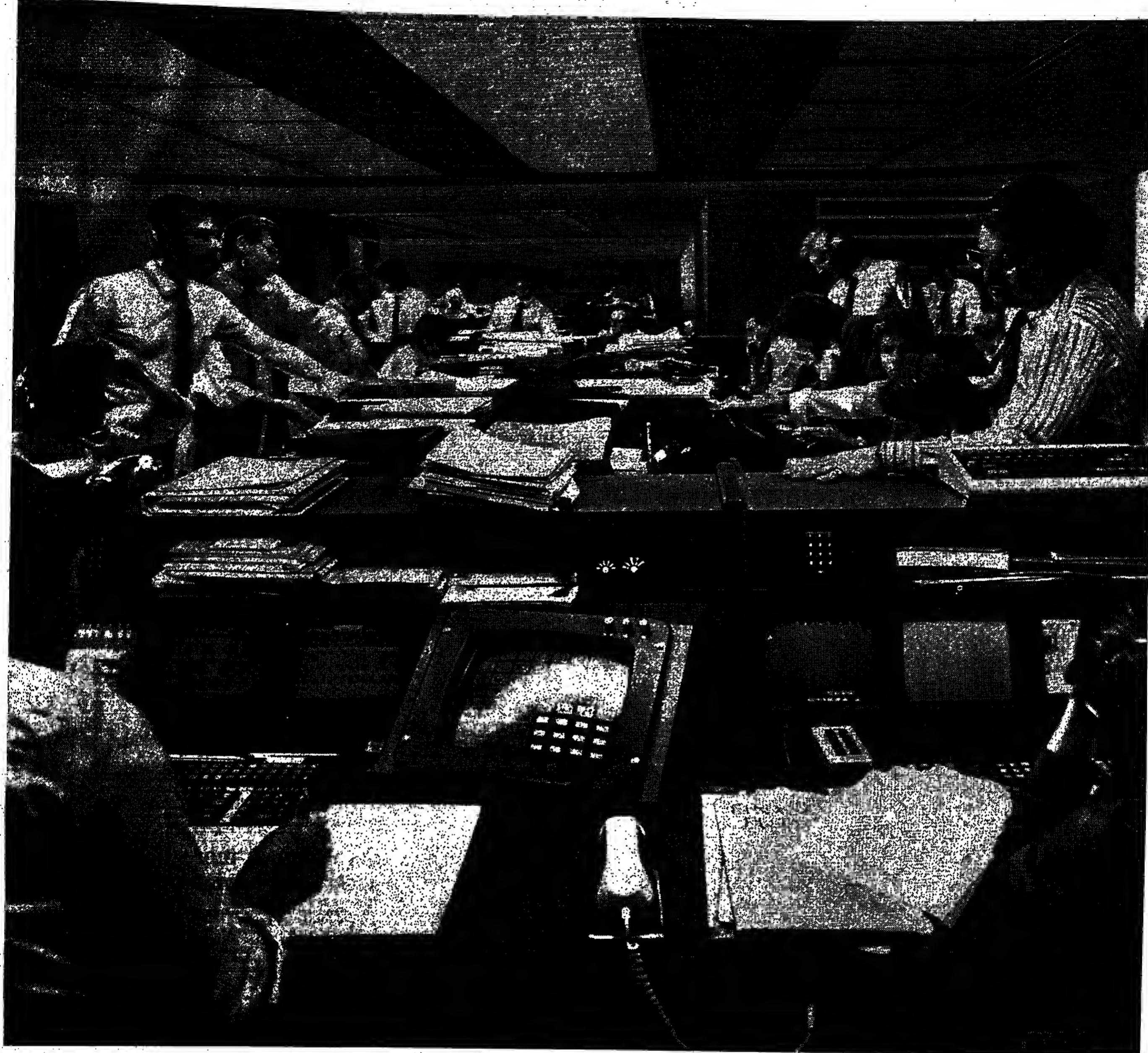
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WORLD TRADE NEWS

David Marsh reports on the success of the A-320 more than a year before its maiden flight

Airbus's paper aircraft enjoys an Indian summer

IT HAS been an Indian summer for Airbus Industrie. The European airliner manufacturing consortium's \$1.6bn order from Indian Airlines 10 days ago topped a string of successes against arch-rival Boeing over the past few months. Above all, it confirmed the popularity of the new narrow-body A-320 Airbus due to make its first flight in 1987.

The construction programme for the 150-seater A-320, designed to move Airbus into a new area of the airliner market in its competition with Boeing, was launched in March 1984. Scheduled to enter service in spring 1988, the A-320 has now chalked up a total of 109 firm and committed orders. They include letters of intent for 27 aircraft from the Australian company Ansett and Indian Airlines which are not yet binding. It has also secured optional orders for a further 125 A-320s.

At a time when the A-320 exists only on paper, this support from nine international airlines gives the project a volume of start-up orders considerably greater than those commanded by the A-300 and

A-310 airliners during the 1970s. It also compares favourably with launch orders received for previous U.S. airliners.

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Airbus's aspirations of adding further to its product range. A project to build a four-engined long-haul aircraft is now being studied in collaboration with several other manufacturers.

The improvement in Airbus Industrie's commercial fortunes could however complicate the process of financing the \$1bn development cost of this new TA-11 project. At a time when budgetary funds are in short supply, evidence to stand on its own feet in the struggle with

Boeing may make governments

options on 101. This compares with only 35 firm orders in

1984.

The British Government agreed last year to put up £250m to back the \$2bn development costs of the A-320, only after considerable wrangling. Mrs Margaret Thatcher, the British prime minister, reiterated her commitment by remarking during the debate over funding that she did not want "another Concorde".

The UK's attitude over Airbus finance may be rougher now that British Aerospace—with a 20 per cent shareholding in the consortium—has been completely privatised. Airbus Industrie has been studying for several months possibilities for diversifying financing sources for the new TA-11 as well as the two-engine TA-10 short to medium range aircraft it also has on the drawing board.

Including orders for widebody aircraft as well as the A-320s, Airbus this year has secured firm orders for 73 aircraft (A-310s, 19 A-300s and 31 A-320s) as well as letters of intent for 27 aircraft and

stepped up allegations of unfair price cutting by Airbus. The European manufacturer brought off its latest coup in India partly by offering Indian Airlines free leasing of older aircraft to bridge the gap before the A-320s are ready in 1989.

Although the contours of airline financing have become blurred more than ever by leasing and trade deals, it is clear that both companies have been engaged in considerable discounting over the past year or so.

Boeing meanwhile has decided to delay until 1992 producing a new-technology 150-seater. Earlier plans to revamp its 737 Aerocraft (IAE) consortium led by Pratt & Whitney and Rolls Royce.

Out of 264 firm committed and optional orders for the A-320 137 have been for aircraft powered with the V-2500 against 88 for the CFM-56 produced by General Electric and Snecma of France. Engines for a further six option aircraft have not yet been decided. The V-2500, more fuel-efficient than the CFM-56, will enter service in spring 1989.

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Boeing may make governments

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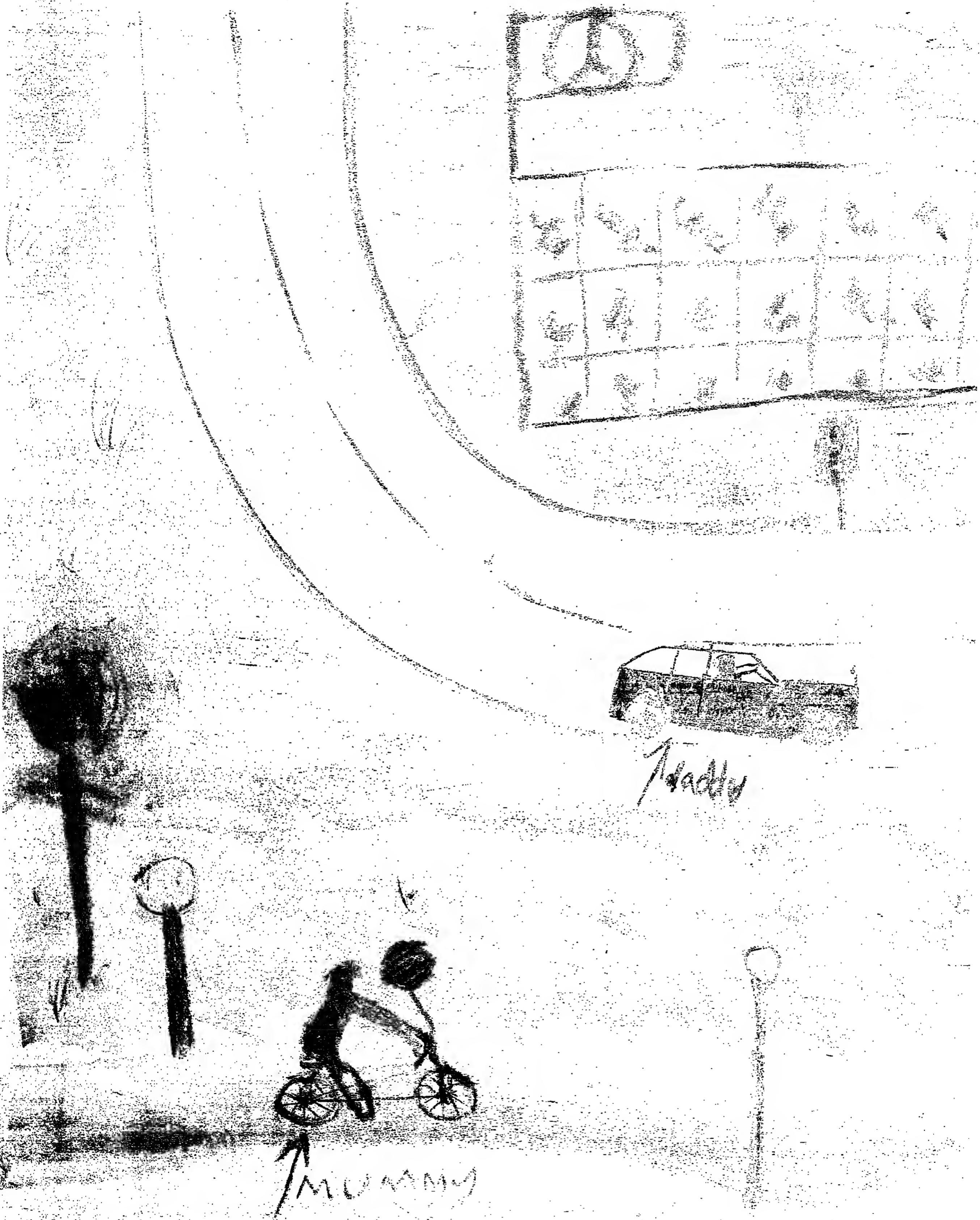
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OVERSEAS NEWS

U.S. urges Zia to cut military emphasis in next aid request

BY SIMON HENDERSON

WIDE DIFFERENCES in view have emerged between Pakistan and the U.S. on the shape of a new military and economic aid programme being discussed to replace an existing \$3.2bn agreement which runs out in 1987.

The Government of President Zia-ul-Haq is hoping to acquire a range of sophisticated military equipment in the new package, while Washington is anxious to emphasise economic support.

Pakistani officials have expressed interest in advanced electronic early warning aircraft, the latest models of the F-16 fighter bombers and conversion kits to make Boeing 707 passenger aircraft at present operated by the national airline, into in-flight refuelling tankers.

The U.S. has argued that such purchases only make sense in terms of a possible confrontation with India. Intelligence officials say that Pakistan is working on the manufacture of an atomic bomb suitable for carrying by an F-16. In-flight refuelling would enable Pakistani to threaten targets at over 1,000 miles.

Pakistani officials deny any programme to make a nuclear bomb. India exploded a crude device in 1974, but any refinement of the device since then has been shrouded in secrecy.

A senior U.S. official visited the sub-continent last month to discuss restraint in both countries.

The present agreement between Washington and Islamabad was signed in 1981 and was intended to bolster Pakistan's defences following the Soviet invasion of its neighbouring Afghanistan. Nearly two-thirds of the money being made available each year is being spent on military equipment, the major element of which is 40 F-16 aircraft.

Congressional critics of the agreement say that President Zia, who seized power in a military coup in 1977, has used the money to secure his constituencies in the various branches of the armed forces.

The air force has based the F-16s close to the Indian rather than the Afghan border and, according to U.S. officials, has never scrambled them to warn off Afghan or Soviet aircraft.



President Zia-ul-Haq

SOVIET military involvement in Afghanistan has escalated noticeably since the accession to power of Mr Mikhail Gorbachev, the new Russian leader, undermining the chances of a peaceful settlement.

The November summit between Mr Gorbachev and President Ronald Reagan of the U.S. will almost certainly have Afghanistan high on the agenda, but the chances of an agreement leading to the withdrawal of Soviet troops are minimal.

The number of Soviet troops in Afghanistan has increased from 110,000 to around 150,000, according to guerrilla leaders. Damaged and destroyed military equipment is not only immediately replaced but also much improved.

Major offensives led by specially trained commando units of the Spetsnaz force have been carried out all over Afghanistan. The latest offensive, which began on August 24 in Afghanistan's southern province of Paktia was primarily aimed at relieving the garrison at Khost.

Guerrillas of the Islamic resistance groups besieging the garrison close to the border

with Pakistan say that some 4,000 airborne troops were flown in for the operation from the capital, Kabul. A ground force of around 10,000 more Russian and Afghan troops mounted simultaneous attacks on guerrilla groups in the province.

The apparent aim of the operation was to relieve the garrison, destroy the strong guerrilla presence in the province and sever their supply lines into Pakistan. In the first days of the offensive the guerrillas suffered heavy losses but are reported to have regained the initiative.

Both the Russians and Afghans suffered a significant numbers of dead and wounded in the operation, as many as 1,000 dead according to estimates in Pakistan. Dozens of military vehicles and several aircraft were destroyed by ground-to-air missiles.

The Soviet forces, having failed to close the border with Pakistan and sever the vital supply line to guerrillas in Afghanistan, and not being able to reach Khost by land, returned to Kabul on September 6, according to the guerrillas.

The operation against Khost exemplifies the frustrations faced by the Soviet army since

it invaded Afghanistan in December 1979.

Despite massively superior firepower and numbers, the Russian and Afghan armies have failed to regain control of the countryside from the guerrillas.

In some districts, such as Khost, entirely isolated and besieged Government headquarters are maintained with the help of the army. Protected by tanks and mines, they have become military outposts and bases administered since there are few civilians around to administer. Most have either fled to Pakistan or moved to their bodies burnt.

The five-and-a-half-year-old war has also had a devastating effect on Afghanistan's predominantly rural economy.

Vast tracts of agricultural land have been deserted by farmers fleeing the Soviet ground and air attacks, making working in many fields unsafe. In many places the population has either left the area or adults males are involved in the war either as Afghan army conscripts or with the guerrillas.

The previously-rich northern provinces have reverted to a subsistence economy. People only cultivate wheat and barley in order to meet their immediate needs. Even this activity has stopped in the areas surrounded by the cities.

Soviet forces are also reported to have stepped up their campaign against civilians who they believe are sympathetic to the resistance.

In one of the most recent acts of reprisal by Soviet troops, more than 600 civilians were killed in the eastern Afghanistan district of Lagham, according to refugees in Peshawar's refugee camps. They claim that the inhabitants of a small village in the district called Shalaqak were executed and their bodies burnt.

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In the outskirts of Mazar, for instance, the fields are cultivated at all; the villagers have moved to the city. Sugar beet, cotton, oil-seedings seeds and plants formerly sold to the government factories, are no longer produced. Chemical fertiliser needed to grow them cannot be obtained in the northern markets.

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The textile mills at Pol-E-Khomri and Balkh (which before the war had a capacity of 30m-12m metres annually) have come to a standstill for

the upper hand militarily.

The large textile mill at Gulbahar, north of Kabul, is receiving neither enough power (the power lines being constantly cut by the resistance), nor enough raw material to operate. The majority of the workers have left, the remaining few have become government militia guarding the factory building against Mojahideen attacks.

Afghanistan's irrigation system, the basis of agriculture, has been seriously disrupted.

Bombs dropped from the air or explosives thrown inside the karez (underground canals), have seriously destabilised the system. Some karez have ceased to give water, while others are producing less than half of their normal capacity.

The war in Afghanistan is far from over in spite of the evident lack of political unity among resistance groups. The Soviet Union has failed to win popular support for the Kabul regime or Mr Babrak Karim. They also seem unable to gain

the upper hand militarily.

Gorbachev goes on the offensive in Afghanistan fighting

BY A SPECIAL CORRESPONDENT IN PESHAWAR



lack of raw material. Factories in Mazar, which employed some 8,000 workers, are now reduced to 800, mostly administrative staff.

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Cluff helps to keep the door open for a Chinese coastal city

BY DAVID DODD WELL IN HONG KONG



WENZHOU MAY be one of China's 14 open coastal cities, but to most foreign businessmen, it is the back of beyond. It has no rail or air links with the outside world, and less at the end of a bone-rattling 12-hour road journey from Hangzhou. Not surprisingly, therefore, it has had problems in translating its open city status into real business links with foreign investors or trading partners.

The U.S. concedes that Pakistan needs a few more F-16s, but hopes to persuade it to keep less sophisticated aircraft like the Northrop F-20 Tigershark as well. It is also trying to interest Pakistan in a so far unbuilt early warning aircraft based on the Lockheed Hercules. Rather than supply inflight refuelling kits for Boeing 707s, Washington would prefer them to be used as military transports.

The U.S. is willing to increase the total size of the package but only in line with inflation.

For Cluff, the venture may founder after large sums have been spent taking foreign companies to visit the cities without any deals being struck. Most vulnerable are the finely

drafted "exclusive" rights Cluff negotiated as part of the agency deal. In the case of Wenzhou, Cluff will act as the exclusive conduit for business links with companies in the UK, Switzerland, Finland, Norway and Sweden.

In Ningbo, which has stronger links with the outside world, the agreement covers general co-operation worldwide, but exclusiveness is confined to the UK.

"Whether the agreement succeeds or not depends on how hard each side works at it," says Zhu Bing, general manager of the Wenzhou General Economic and Technical Development Corporation, which is in formal terms Cluff's partner.

So far, while few deals have been concluded, neither Zhu, nor his counterparts in Ningbo, can complain that Cluff has not worked hard. Mr David Tang, who heads Cluff's operations in Hong Kong, has taken the roads to Wenzhou and Ningbo seven times this year, on most occasions with prospective British investors or trading partners.

For Cluff, the venture may founder after large sums have been spent taking foreign companies to visit the cities without any deals being struck.

He has also visited the cities with the Peking representative of one of Britain's leading banks, the Midland. Perhaps inevitably in such an arrangement, for which there is no precedent, Cluff has been feeling its way: "I started by drawing up a shopping list of the projects or ventures they said they were keenest to pursue," says Tang. "I visited the two cities, the clearer it became that the lists were unrealistic.

"These municipal governments have only recently been given the power to deal with foreign companies, and have very little experience, so we have found ourselves doing very much more than just introducing them to prospective trading partners. It's proved to be a Herculean task."

Ningbo, on the other hand, has begun to loosen its bonds, as it found more businessmen arriving independently. Its closeness to Shanghai, and its excellent deep water harbour, have made it a more promising location for foreign investment.

It is beginning to benefit from the patronage of two prominent Chinese with ancestral roots in the city. Lu Xujiang, a close economic adviser to Deng Xiaoping, comes from Ningbo and has taken several opportunities to give an economic boost to his home town. At the same time, Sir Yue-Kong Pao, the Hong Kong-based shipowner and property developer, has committed \$20m to building a university in Ningbo.

Sir Y. K. Pao has close links with the British government, and has been keen to use them to Ningbo's advantage. He is now discussing the possible involvement of Britain's Davy McKee in a \$4bn steel plant.

Mr Lu Youquan, deputy director of the Ningbo opening up affairs office, says nine joint ventures were signed last year and he predicts a further 20 will be concluded in 1985.

He distances himself from Cluff by emphasising that its agreement is not with the municipal government but with a subsidiary of its economic development corporation.

He sees the Cluff deal mainly as a way of courting tardy British businessmen: "Many foreigners have come to the city since we opened up, first from Japan and Hong Kong, then from the U.S., Australia, South-East Asia and Western Europe. But we have seen very few British businesses."

He throws cold water on the claim that Cluff has any truly exclusive rights from the agreement: "A British company is welcome to contact us without Cluff, but we hope that Cluff can be a bridge for British partners in the city. Cluff have come a lot of times in Ningbo, and have become old friends."

David Tang is nevertheless keen to build on the foundations laid down over the past year. Negotiations on an exclusive deal may now be misplaced, but Cluff has established close links with local officials, and a sound knowledge of the city's economic and trading potential.

This gives the company a head start as Ningbo strengthens its commercial links with the outside world.



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UK NEWS

Kinnock plans rethink on public ownership

BY PETER RIDDELL, POLITICAL EDITOR

MR NEIL KINNOCK, the Labour leader, will attempt today to shift party and public attention away from his probable defeat at the party's annual conference on the reimbursement of the National Union of Mineworkers (NUM) for strike costs and fines towards a major reappraisal of policy on public ownership and employment rights.

A defeat on the reimbursement issue became more likely last night when the Transport and General Workers' Union delegation voted to maintain its policy of backing the NUM motion, though it will also support a national executive statement calling for a review of employment legislation.

The probable outcome will be seen as a rebuff for Mr Kinnock, although he hopes that his strong stand on the issue will earn public respect for his leadership. This is, however, at the risk of aggravating bitter divisions within the party.

The Labour leader has already come under criticism from previous soft-left allies on the Labour co-ordinating committee, which yesterday accused him of making comments about his veto on the contents of the party's manifesto (electoral programme) which were tactically inept and reminiscent of the Wilson/Callaghan era.

The miners' issue is dominating the conference, although yesterday delegates approved a major shift in housing policy to accept the right of council tenants to buy their houses.

The conference also called for a review of the possible state financing of political parties during general election campaigns and called for legislation to require companies

Labour Party conference at Bournemouth

ownership, leading to a shift away from the traditional post-war centralised corporations towards now, more flexible forms of ownership.

Mr Alan Tufin, general secretary of the Union of Communication Workers, and Mr John Smith, the party's trade and industry spokesman, will be asked to prepare a statement for next year's conference.

At present, the only firm commitment is to take British Telecom back into public ownership, but there will be a similar pledge after British Gas is sold off.

The parliamentary leadership wants to avoid the wholesale renationalisation of privatised concerns but wishes to develop more flexible forms of ownership, including local and regional enterprise agencies and a nationalised body taking shareholdings in companies.

In parallel, the conference is this afternoon likely to approve a national executive committee statement setting up a review, in conjunction with the Trades Union

Congress, of industrial relations legislation. This will include the formulation of a policy on the return of funds seized or extracted from trade unions recent government laws.

Mr Kinnock will argue that this commitment should reassure supporters of the NUM without the need for any pledge to reimburse the union for all its costs and penalties incurred in the year-long strike, which ended last March.

The Labour leader is expected to make only a passing reference to this issue in his speech today, though he will stress the need to avoid passing motions which might jeopardise the chances of returning a Labour government.

He is, for example, particularly concerned about a motion, due to be debated tomorrow, which pledges full compensation to local councillors for losses incurred as a result of non-compliance with the law. This was narrowly backed by the national executive on Sunday against Mr Kinnock's wishes.

Efforts are now being made to swing trade union block votes against the motion and Dr John Cunningham, the party's employment spokesman, will oppose it.

After meeting representatives of Labour's national executive committee late last night, Mr Arthur Scargill, the NUM president said that the union's position had not changed on its own motion. "We explained that our resolution is in line with existing party policy. We had an extremely frank exchange of ideas. We hope that in the light of our explanation the NEC will support our resolution."

Party leaders attack police but anger black group activists

BY MARGARET VAN HATTEM

THE FURY of last weekend's Brixton rioting spilled over into debates on police powers and black rights at the Labour Party conference yesterday — with Labour leaders attacking the police and black activists

defending the Labour leaders. Sir Kenneth Newman, Commissioner of London's Metropolitan Police for condemnation. He should stop making party-political interventions, he said.

Chief constables outside London could do as they liked, trampling on the wishes of local people, as the miners' strike had shown, only too well, Mr Kaufman said. It was unacceptable that police remained unaccountable to elected representatives.

Mrs Audrey Wise, speaking for Labour's national executive committee (NEC), was equally forthright in condemning the "unauthorised" powers of the chief constables. She further condemned the police shooting that provoked the Brixton riot if it was an accident, she said, it indicated the inadequacy of police training at present.

"Why are there so many guns, and why are they so regularly used?" she demanded. "We need an unarmed police force."

Earlier, the NEC issued a statement condemning both the shooting in Brixton of Mrs Cherry Groce and the police shooting five weeks ago in the West Midlands of a five-year-old boy. It called for a full judicial inquiry into the police use of firearms.

MINISTERS EMBARRASSED BY CONFIDENTIAL REPORT

Housing needs £20bn facelift, says Government survey

BY ROBIN PAULEY

A SURVEY by the Government of Britain's 22m housing stock shows that it is in a much worse state than previously thought and would cost around £20bn to put right.

Ministers have been embarrassed by the findings of the confidential report and are now split over what to do about it. Some, such as Mr Norman Tebbit, Conservative Party chairman, and the Treasury ministers are anxious that it should be kept under wraps because it would both be an embarrassment at next week's Conservative Party conference and lead to demands for higher public spending.

Others, such as Mr Kenneth Baker, the Environment Secretary, have argued that it might be better to come clean by publishing the report and discuss a long-term strategy for private and public sector



Mr Norman Tebbit: against publishing report

tions for home improvement grants.

Much private sector housing has fallen below standard and much public and private housing in urban areas now requires external maintenance work, often including roof repairs.

The report also shows that although many of the housing problems are concentrated in the London boroughs other parts of the country now face enormous bills to bring their housing stock up to standard. Birmingham, Britain's second city, until recently regarded as being largely on top of the housing problem, is now shown as needing expenditure of about £750m in

renovations, repairs and improvements. Leeds, Liverpool, Manchester, Newcastle, Sheffield all need between £375m and £5bn on industrialised and system-built dwellings of the 1960s and 1970s, £25m for the pre-war stock and £15m for urgent repairs to the post-war traditional council housing stock.

Local authorities have £5bn of accumulated cash from the sale of council houses and land which they would like to release on housing capital expenditure. But Treasury rules permit them to spend only a small portion of it each year.

Iran setbacks dash Talbot profit hopes

BY JOHN GRIFFITHS

THE FRENCH Peugeot group's decisions about possible future investment in its UK subsidiary, Peugeot Talbot, are now being made in isolation from whatever happens to the UK company's contract to supply car kits to Iran. Mr Geoffrey Whalen, Peugeot Talbot's managing director, said yesterday.

The Iranian contract to supply Peugeot Talbot's first-half losses to £13.1m pre-tax earlier this month, Mr Whalen attributed it mainly to lost revenue from Iran and warned that it meant hopes of a profit for the full year had been eliminated.

Inevitably, there has long been speculation over the viability of the overall UK business if the Iranian contract ran into severe difficulties. Mr Whalen said yesterday that he felt the business would stay in being in spite of the war and pointed out that kit output from the Stoke, near Coventry, plant which produces them had already been cut from 1,200 to 1,200 a week to account for an expected lower level of

demand. A further 11,000 kits were to be shipped within the next few weeks.

However, this business now accounted for less than 20 per cent of turnover, said Mr Whalen, and "a fundamental decision" had been taken by the Peugeot parent that future investment decisions would be based solely on the subsidiary's performance in the UK.

The decision to invest in the 309 model now being assembled at Ryton, and to be unveiled at Motorfair later this month, reflected the fact that quality and productivity at the UK plant is now better than at Peugeot and Talbot plants on the Continent, said Mr Whalen. This was not a subjective view but was shown up in Peugeot group-wide monthly auditing procedures.

He said that the launch of the new 309 could produce "several hundred" more jobs at Peugeot-Talbot (which at present employs about 6,000) particularly if a decision is made to export Ryton-built versions.

Mr Whalen said Peugeot-Talbot, which has just changed its name from Talbot UK, expected to increase its share of new car sales in the UK to 8 per cent by the end of 1988, almost double its present level.

Lloyd's to set aside £58m for protection

THE AUTHORITIES of the Lloyd's insurance market were set yesterday to set aside up to £50m from the market's central fund of last resort to protect policyholders against the potential default of underwriting members.

More than 300 underwriting members of Lloyd's, who are among those hit by £13m of losses arising from their involvement with the Richard Beckett Underwriting Agency at Lloyd's, are resisting Lloyd's solvency requirements.

Each year, Lloyd's requires that its members show that they have enough assets to meet their insurance liabilities from trading in the market. But those holding out against Lloyd's solvency test argue that their affairs have been mismanaged and are preparing legal action against a variety of Lloyd's companies.

The deadline for the solvency test closed yesterday and Lloyd's is expected to make an announcement today.

Retailers must beware of reducing their labour force, Sir Roy Griffiths, deputy chairman of Sainsbury's, the food group warned. They would be better advised to take a lead in job creation on

the market, he told the Institute of Grocery Distribution's annual convention. There was a danger that capital assets would not be applied efficiently: shelf space, for example, might not be used as productively as possible and customers goodwill could be damaged because of lack of service at the checkout.

CHECKING down on labour may be the ultimate false economy, he told the Institute of Grocery Distribution's annual convention. There was a danger that capital assets would not be applied efficiently: shelf space, for example, might not be used as productively as possible and customers goodwill could be damaged because of lack of service at the checkout.

PASSenger numbers at Dover, the busiest ferry port in Europe, fell 3.6% in 1984.

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BARCLAYS

UK NEWS

INLAND REVENUE MOVES AGAINST CAPITAL TRANSFER SCHEMES

Tax avoidance plan clampdown

BY CLIVE WOLMAN

THE INLAND Revenue is cracking down on schemes which have been marketed by insurance companies to avoid capital transfer tax by applying the principles of recent House of Lords judicial decisions.

The Inland Revenue's new approach is explained in a letter to the Institute of Chartered Accountants in England and Wales (ICA) published yesterday. The letter covers several legally contentious areas of taxation, including the "bed-and-breakfasting" of shares, the transfer of assets between companies to make use of capital losses and the hive-down of companies in receivership.

On capital transfer tax, the ICA said in a letter last July that the existing legislation contained wide anti-avoidance provisions. Where these applied it should be unnecessary to apply the more general anti-avoidance doctrine defined by the House of Lords' judicial committee 20 months ago in the case of Furniss versus Dawson, the ICA suggested.

In particular, the ICA "sought confirmation" that the doctrine would not be applied against "inheritor trusts". These off-the-peg capital transfer tax (CTT) avoidance schemes, which have attracted nearly £2m from the public over the last four years, typically involve the passing of gifts and interest-free loans between a would-be donor and a trust whose assets are invested in a single premium insurance bond.

The Inland Revenue in its reply says: "While some of these schemes may be regarded as not open to challenge, others are, and cases will be given to the Special Commissioners in the course." The Special Commissioners of tax, who arbitrate on legal disputes, are considering some CTT schemes where a donor retains the right to the income from assets he has transferred.

The Inland Revenue has also said it believes the court rulings allow it to apply the new judicial doctrine to strengthen its claims even when

specific anti-avoidance legislation applies. The doctrine may also be applied when business assets are transferred between husband and wife to make use of capital gains tax reliefs on retirement.

The "bed-and-breakfasting" of shares and bonds, which involves the sale and immediate repurchase to establish a capital gain or loss, is given approval by the Inland Revenue letter. However, the bed-and-breakfasting of other unique assets, such as houses or antiques, remains vulnerable to attack.

The Inland Revenue's response says: "The transfer of capital losses between different companies was considered the most important area by the ICA. It suggested that the Furniss versus Dawson doctrine should not be used when a company is taken over for 'commercial reasons' and one of its subsidiaries has capital losses which are then transferred to the acquiring company to reduce its capital gains tax bill."

The Inland Revenue's response is that the new judicial approach

would not be applied against companies where the losses were a relatively insubstantial element in the acquisition." But the "new approach" might be used in other cases depending on the scale of the losses, how long they had been kept within the group and the circumstances of the acquisition.

The commercially viable parts of companies in receivership, including their tax losses, are often hived off into a newly-created subsidiary which is sold as a going concern. A purchaser may then offset the tax losses against his taxable profits or capital gains.

The Inland Revenue says that "the new approach may have some relevance" when little more than the tax losses are sold off but not when an entire trade or part of it is hived down and sold off.

The letter also deals with the application of the new approach to year-end stock adjustments, the setting up of UK holding companies to obtain group relief, charities, leasing and the payment of dividends before the sale of a company.

BY PETER MARSH

BRITAIN and the U.S. are discussing a formula under which the UK could participate in President Ronald Reagan's Strategic Defence Initiative (SDI) by working on a technical package aimed at protecting Western Europe from Soviet missiles.

The package, which could be worth a total of \$300m to British companies, is one of a number of options under discussion between the Ministry of Defence in London and the Pentagon's SDI Organisation, the U.S. department responsible for the \$25bn programme, more popularly called star wars.

The new proposal has come to the fore in an effort by both countries to find a way to permit British companies to take part in the programme on a large scale.

Two months ago Mr Michael Heseltine, the UK Defence Secretary, asked Washington to agree to finance British contractors by about \$1m to work on unspecified SDI projects, partly in return for political support from Britain for the overall goals of the programme.

U.S. officials turned down the request on the grounds that they

could not be seen to single out a particular country for such generous treatment. Washington has asked all its allies to participate in the star wars research, which is aimed at finding a strategy by the early 1990s to protect the West from nuclear attack. It is exploring other joint SDI programmes with Japan, Italy and West Germany.

Under the new proposal, British defence contractors could work on the specific goals of stopping Soviet missiles reaching Western Europe. That translates into a requirement to track and destroy warheads launched using short-range delivery systems such as cruise missiles, either from silos in Eastern Europe or from submarines.

The technologies needed to counter this problem are in many ways distinctly separate from those required to safeguard the U.S. against the long-range Soviet missiles that threaten North America from silos 10,000km away in Central Asia.

A package of the kind under discussion would give UK defence companies technologies to develop with which they are already familiar. For some years, scientists in companies such as British Aerospace, Marconi and Plessey have studied the problem of tracking short-range missiles using novel space-based sensors and "battle management" software.

Devices needed to destroy missiles of this kind would feature relays.

tively tried-and-tested techniques such as "intelligent" guided weapons, rather than more exotic weapons such as laser or particle-beam guns.

Such a scheme could satisfy critics in Congress who might be dismayed at the awarding by the Pentagon of contracts to foreign companies to work on what is essentially a U.S. problem.

The discussion also fits in with the desire of the SDI Organisation to reorientate its studies to include Western Europe in any future defensive shield.

Lt Gen James Abrahamson, director of the organisation, recently instructed the five U.S. contractors, each working on \$3m contracts to design the overall "architecture" for an operational star wars system, to do more to ensure other Nato countries could benefit from a future anti-missile system.

The contractors, Sparta, Rockwell, Science Applications, TRW and Martin Marietta, have in some cases been in contact with British companies on how the latter could include their expertise in the project.

Link-up for Nato helicopter study

BY LYNTON McLAIN

FIVE EUROPEAN countries, including the UK, have agreed to carry out a 14-month study to develop ideas for a medium-size Nato naval and battlefield helicopter. It is the NH-90, Nato helicopter for the 1990s project.

The decision will result in additional design study work for Westland, the troubled UK helicopter manufacturer at its factory at Yeovil, Somerset.

The UK, France, West Germany, Italy and the Netherlands are to spend up to about £1m each on the study by national aerospace companies. The companies joining Westland in the study are Aerospatiale of France; Messerschmitt-Bölkow-Blohm of West Germany; Agusta of Italy and Fokker of the Netherlands.

Up to 700 helicopters might be ordered eventually by the five countries for service between 1994 and 2000.

The study for the NH-90 is expected to involve a helicopter mid-way between the Westland 30 and the Westland Sea King. The NH-90 would be able to carry between 15 and 18 troops as a battlefield transport helicopter.

In the naval role, the helicopter could be used for anti-submarine, anti-surface vessel work or for maritime patrol. It would probably be flown from the so-called Nato frigates of the 1990s, the NF-90, although the type of vessel is only at the stage of a preliminary study.

The NH-90 helicopter project is one of four possible or actual helicopters that the UK Ministry of Defence (MoD), and some other Nato countries are considering for the entry into service towards the end of the century.

The MoD has an air staff requirement for a tactical battlefield helicopter, the ASR 494, to replace the Wessex and Puma helicopters in service with the British Army and the Royal Air Force.

Westland has proposed to the MoD that a military version of its civilian Westland 30 helicopter would be a suitable replacement for the Wessex and Puma, but the MoD is understood to be re-thinking its requirements and might consider a larger helicopter.

Westland and Agusta are at present building the EH101, a large helicopter to be powered by three U.S. General Electric T700 engines. That helicopter is likely to be ordered by the Royal Navy and the Italian Navy for anti-submarine duties. The EH101 is larger than the Sea King now in service.

Inner-city problems of investment highlighted by riot

BY LISA WOOD

THE FACT that riots occurred last weekend in Brixton, in the south London borough of Lambeth, rather than any of Britain's other inner city areas, is disturbing given the efforts that have been made to attract investment into the area and improve community relations with the police.

While Brixton does not head the Government's league table of deprivation, it is there, where there is a sizeable population of young unemployed blacks, that a spark such as Saturday's accidental shooting by police of Mrs Cherry Groce, a black woman, can kindle a fire. During the rioting petrol bombs were thrown, cars and buildings damaged by fire, shops looted and over 50 people injured. About 250 were arrested.

According to Mr Astel Parkinson, chairman of Lambeth police consultative committee, Brixton has become a magnet for outsiders who latch on to the genuine grievances being expressed by the local community.

"If local people had wanted to set Brixton ablaze on Saturday night, they would not have gone to the police station to protest against the shooting of Mrs Groce," said Mr Parkinson. "Those people were not among the looters. It is outsiders who see Brixton as the quickest place to set alight."

Because the media concentrates on Brixton as a living centre, every drug addict or pusher thinks he or she can come here and they do not give a damn for the local people. All the publicity given to Brixton attracts all these people."

Mr Parkinson is among those Brixton residents who have, since the more serious riot in 1981, devoted considerable efforts to improving their community.

"The consultative committee," said Mr Parkinson, "is working to the best of its ability. We have forced the police to consider issues more effectively and quickly. The committee is the only public forum, in the borough of Lambeth where the police and the public can directly exchange their views."

The local divisional commander, Mr Alex Marchant, is committed to so-called "neighbourhood policing" with more policemen on the beat and the forging of local links.

Improving police-community relations has been a hard slog, but all the evidence before the riot was that relationships were improving. Speedy sensitive action had defused several potentially dangerous situations.

But for many of the local black youths the police are still the personification of a white society which they consider uncaring, if not hostile, and in which they find difficult to compete.

In Brixton, where black youth unemployment is estimated at over 50 per cent, these young people rub shoulders with residents of leafy Dulwich, to the south-east and suburban Streatham to the south.

"There is a wealth there that gets more and more inaccessible to these young people," said Mr Tim Baldwin.

win of the London Chamber of Commerce.

The London Chamber of Commerce runs a youth training scheme in North Southwark and Lambeth for some 200 young people with a catchment area which includes Brixton. "Many of these young people are at a tremendous disadvantage both culturally and educationally," said Mr Baldwin.

"Trying to teach those skills which are marketable and giving people confidence to compete is a tremendous task."

The chamber, he said, ran a similar scheme in Acton, west London. It was difficult to quantify, said Mr Baldwin, but young blacks there appeared to have more confidence. Or, as one middle-aged black put it: "If you come from Brixton, people automatically think you are a criminal."

Inner-city areas such as Brixton, Toxteth in Liverpool and parts of Manchester still have little appeal to private investors, despite government attempts to attract them. Mr Jonathan Baldock is an investment surveyor at Inner City Enterprises (ICE), set up in 1983 by a consortium of pension funds and insurance companies to act as an agency to attract such investment.

Mr Baldock said: "there is a reluctance in private enterprise to go into Brixton and comparable areas. They do not see the growth potential or security for their investment."

Because of this ICE, a public limited company, is to develop in its own right and involve institutions collectively so that risk is spread. The hope is that it will become active in the inner-cities.

The only recent major commercial investment in Brixton has been a joint £10m venture between British American Tobacco (BAT) and Lambeth council in the conversion of the former Bon Marché department store into workshops, recording studios and storage areas.

About 400 jobs will be ultimately created. At present, there are some 200 occupants, all on monthly rents with assistance on site by a BAT-paid manager. Fifty per cent of those involved are black. During Saturday's disturbances, none of Bon Marché's windows was smashed.

Lambeth generally, with a male unemployment rate of 27 per cent, has had a net loss of jobs since the 1981 riots. This is despite the voluntary efforts of organisations including Lambeth council's own business advisory service, which last year helped create 600 jobs using money from the Government's urban programme. The programme is intended to assist areas with special local needs including Brixton, Liverpool and Birmingham.

This year Lambeth, whose capital grant from the Government has been cut, will receive £13.1m.

"In terms of applications for grants and the population in Lambeth, the area does quite well," said the Department of the Environment.

Credit business expands

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

CONSUMER CREDIT continued to expand rapidly in August, taking the total advanced through hire purchase and other agreements to a record £18.47bn, according to official figures yesterday.

This was 15 per cent more than the figure a year ago and underlines the way in which borrowing has supported the buoyancy of shop sales.

Separate figures yesterday from the Department of Trade and Industry showed that retail sales in August were 7 per cent higher in volume terms than the level a year ago, and about 1 per cent higher than the level in July.

In the latest three months the volume of retail sales was 2 per cent higher than in the previous three-month period, with general stores doing particularly well. Sales of household goods and of footwear and clothing were all up by 2 per cent in the latest three months compared with the previous three months (March to May).

Most economic forecasters believe that consumer spending will continue to help the recovery of the UK economy because the inflation rate is set to moderate while average earnings seem likely to continue to rise at near to the recent 7½ per cent per annum.

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UK NEWS

Lost merchant tonnage sets post-war record

By ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING casualties during the Iran-Iraq war led to a sharp rise in losses of merchant tonnage last year to the highest figure since the second world war, according to Lloyd's Register of Shipping.

Nearly half of the 238,000 gross tons of shipping lost in 1984, a rise of 801,300 from 1983, was attributable to the Iran-Iraq fighting, which accounted for 14 ships. Hostilities elsewhere accounted for six more vessels which hit mines off Nicaragua, in the Red Sea and off

Angola.

The actual number of total losses, at 317, was the lowest since 1974, when the number was 311. The 1984 figure was 340. A total loss, Lloyd's said, was defined as a ship beyond recovering or broken up after becoming a casualty.

Lloyd's Register said that decisions were still being awaited on a number of ships still in the Gulf region, which could affect the final figures.

The jump in tonnage lost, though the number of ships was down, reflects the number of large oil tankers which ply the Gulf oil routes. It is in the northern end of the Gulf where ships are most at risk, with latest Iraqi attacks now focusing on Iran's oil terminal of Kharg Island.

The largest ship lost last year was the Minotaur, a Cypriot tanker of 189,400 gross tons and built in 1976. It was damaged 40 miles south-west of Bushehr on the Iranian coast early in December and later sold for demolition in Taiwan.

A Greek tanker, the Nineima, of 111,700 tons and the same age, was hit by a missile two weeks later and

SHIPS LOST LAST YEAR		
No.	Gross tonnage	
Powdered	131	212,328 (100,197)
Bulkers	4	15,767 (2,386)
Refrigerated		
Container	57	384,726 (164,078)
Chemical	25	65,250 (14,476)
Wrecks	7	20,574 (14,476)
Ships	28	383,858 (164,072)
Ships	24	1,304,280 (114,910)
Total	317	2,383,367 (1,472,911)

* 1984 figure. ** Lost category includes mainly war damage. Contact is with objects other than ships.

Source: Lloyd's Register of Shipping

again the following day, while under tow. Altogether, eight ships of more than 100,000 gross tons were included in the lost category.

Lloyd's does not use deadweight tons (dwt), measuring maximum cargo weight, in its casualty figures. These would give the tankers about twice the tonnage shown under the gross tons used by Lloyd's Register, which measure capacity.

Despite the large volume of tonnage destroyed, the loss of life through merchant casualties was 172 people less than the previous year at 525. Only 5 per cent of these deaths were caused by hostilities - crews on modern tankers are generally small - with 60 per cent due to foundered vessels.

Lloyd's Register said that 131 vessels founded in 1984, four more than in 1983. Nearly 40 per cent were 20 years old or more. The greatest loss of life occurred when a Philippine ferry and cargo ship, the Venus, sank in a tropical storm and 36 people died.

Maxwell to sue over print deal collapse

By HELEN HAGUE, LABOUR STAFF

MR ROBERT MAXWELL, the publisher, has announced his intention to sue the International Thomson Organisation over the collapse of a deal to buy the Withy Grove printing plant in Manchester.

His companies, Mirror Group Newspapers (MGN) and the British Newspaper Printing Corporation (BNPC), are to take legal action for damages against Thomson for alleged breach of contract over the planned sale of the site.

The deal, by which BNPC had conditionally agreed to buy Withy Grove lapsed last week - the 1,700 employees at the site have been warned it might have to close by the end of the year.

After the deal lapsed, Mr George Dunn, chairman and chief executive of Thomson Withy Grove, said, Mr Maxwell could face litigation over the affair.

Early last week, days before the agreement lapsed, Mr Maxwell announced he had agreed manning levels with the print unions Sogat '82 and National Graphical Association (NGA) for the Manchester plant.

He claims, however, that the Thomson management had agreed to pay electricians an extra £23 a week on basic rates without consultation with either MGN or BNPC shortly before the deal was due to be concluded.



On the occupied West Bank of the Jordan River, engineers from the University of Birzeit are helping to improve the production of solar panels in small local workshops. A revolving loan fund helps these local enterprises to grow, and trains project supervisors.

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Company failure rate rises by 7.2%

By JAMES McDONALD

BUSINESS FAILURES in Britain continued at high levels in the first nine months of this year according to figures issued by Dun and Bradstreet, the international business information group.

Company liquidations totalled 11,388, 7.2 per cent higher than in the same period of 1984.

Bankruptcies among individual firms and partnerships, however, declined by 20 per cent to 5,061 compared with the same period last year.

In England, figures for the third quarter showed that London and the south-east confirmed to be the worst-hit areas, followed by the north-west.

In the first nine months of this year London and the south-east again accounted for more than half of the company failures in England. The 5,623 liquidations were 16 per cent higher than in the same period of last year, but bankruptcies in the region fell by 33 per cent to 1,414.

The north-west accounted for 1,453 company liquidations in the same period this year - 13.7 per cent of the English total and 12.5 per cent higher than in the first three quarters of 1984.

Flour millers face famine within a feast

BY ANDREW GOWERS

AMID THE feast of this year's bumper British cereals harvest, there is a peculiar famine, which has the country's flour millers more worried than at any time since the second world war.

Although the harvest is likely to be the second largest on record, the poor weather this summer has meant that much of it is not up to the standards required by the EEC flour milling industry and certainly not good enough for bread-making.

Milling companies such as Rank Hovis McDougall, Allied Mills and Spillers are scrambling to obtain wheat wherever they can, both from continental Europe and from beyond the EEC. Their costs are soaring as a result.

The bread flour industry estimates that its raw material costs might be about £92m - or 21 per cent - higher than last year. It is already clear that the price of a loaf of bread will have to rise by 3p or more before the end of the year, the largest single rise for a number of years. There might be a further increase before the 1986 harvest.

It marks a dramatic reversal from the situation last year, when British farmers brought in a record wheat crop, much of it of very good quality. Some 82 per cent of the wheat used by millers of all kinds of flour in 1984-85 was home-grown, the highest proportion yet. As recently as 1977, home-grown wheat accounted for less than half the national grain.

This year's troubles are an abrupt reminder that, for all the industry's efforts to cut its reliance on imported wheat, it will never achieve self-sufficiency.

The industry really has been hoisted by its own petard," said one executive. "We have virtually eliminated continental wheat and greatly reduced the use of third-country (non-EEC) wheat, as we were encouraged by everybody to do. But it makes us totally dependent on the quality of the UK crop."

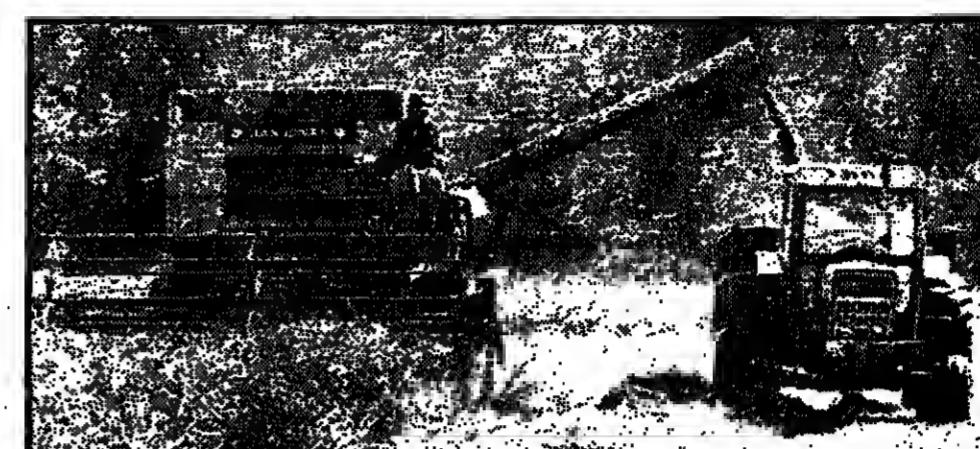
The change stems from Britain's entry into the EEC in 1973. Until then, millers had been content to import large quantities of wheat

from

the rest of Britain's harvest will have to be sold off cheaply as animal feed.

Here, too, they have problems. The levies charged by the EEC on imports are punitive - about £72 a tonne on Friday, and rising as the dollar and world grain prices fall. In addition, the Canadians, who have not had a particularly good-quality harvest themselves, are not sure that they can deliver the full 1m tonnes that Britain requires. The U.S. seems to be in the same position.

In the end, the millers may find themselves - for the first time since 1977 - turning to Australia for wheat when its next harvest starts coming in this December.



Britain's cereal harvest has been big but of poor quality

This year's troubles are an abrupt reminder that, for all the industry's efforts to cut its reliance on imported wheat, it will never achieve self-sufficiency.

But the high Community tariff barriers against imported produce gave the industry a great incentive to boost its use of home-grown grain.

The millers were aided by the development of processing technology, which could make the long-lasting bread that the British market requires out of wheat with a slightly lower protein content.

This year, however, the vast bulk of Britain's wheat is of no use to them. The wet weather encouraged grain to sprout while standing in the fields. Enzymes thus released

have broken down much of the starch in the plants that would nor-

mally stiffen dough for bread-making.

"The dough we would get by using poor-quality wheat this year would have the consistency of Christmas pudding," said one miller. "If it is really bad you cannot even get a dough - you just get porridge."

That means that, of a total 1m tonnes that Britain requires, the U.S. seems to be in the same position.

In the end, the millers may find themselves - for the first time since 1977 - turning to Australia for wheat when its next harvest starts coming in this December.

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*Source: Society of Motor Manufacturers and Traders. Cumulative registrations of medium vans up to 2.5 tonnes April to August 1985, against 1984.

APPOINTMENTS

Senior posts at Midland Bank

Mr Rodney P. Baker-Sales, general manager, formerly in charge of finance planning, operations and support services of MIDLAND BANK INTERNATIONAL, will assume responsibility for the group corporate banking unit, which includes specialist units for ground and multinationals, Mr J. Christopher Watkiss, general manager, becomes responsible for the integration of Crocker Bank's international lending and overseas business within Midland Bank International. Mr T. Lynn Tode, regional director, previously in charge of Midland Bank International's UK region, takes over the Asia-Pacific region. Mr Wuhan McAlister R. Barker, presently assistant general manager responsible for credit and administration with the North America region, succeeds Mr Tode as regional director, UK. Mr John E. Bryant, formerly regional director, the Asian region at Midland Bank International, has been named assistant general manager, marketing sales and distribution, at Midland Bank group treasury.

*
The AMERICAN INSURANCE COMPANY (UK) has appointed from October 1: Mr T. C. Ferguson as underwriter-non-marine in the treaty underwriting department, and Mr J. L. M. (Michael) Wood as underwriter—marine and aviation.

*
Mr Philip Jones has been appointed to the BRITISH OVERSEAS TRADE BOARD. He is chairman of the Electricity Council.

*
SEDWICK INSURANCE BROKERS has appointed Mr Alan F. Irwin III as a deputy chairman and Mr Peter Weston, J. H. Swinglehurst and Mr W. Robert White-Cooper as directors.

*
AT UNITED PROPERTY UNIT TRUST, Mr Leslie F. John will retire as chairman of the committee of management at the end of September. He will remain on the committee until the next annual meeting. Mr John H. Smith will become chairman from October 1.

*
SLEEEPEEZE has appointed Mr Trevor Lay as associate director. He is general sales manager.

*
M.C. Lemire will join the TOXIDE GROUP board on October 1, as the director responsible for the technical division. He will continue as secretary and heads the team running Berlitz's property interests. Mr Friedman plays a role in co-ordinating the group's financial services.

Mr Morton is group financial controller. Mr Zuckerman is based in New York where he is one of the group's U.S. chief executive officers.

*
Mr Richard Adams has been appointed finance director for IMAGINATION. He joins from Kunkel Leisure Group where he was head of the finance department.

*
Mr Adam Tucker, formerly general manager, has been appointed technical director of MORR ENERGY.

*
Mr Henry Lambert has been appointed to the board of DUNLOP AEROSPACE GROUP. Mr Ian L. Stimpson becomes director of technical services; Mr Les Fibrell director of engineering; and Mr Denis F. Malone general sales and marketing manager, aircraft engine equipment.

*
SKETCHLEY SERVICES UK has appointed Mr Tony Coles as managing director. He joins from Compas Services where he was director of UK operations. He takes over from Mr Ken Hurn, who retires as chairman of Christensen.

*
Mr Jim Hayman has been appointed managing director, UK operations, SLADE CONSULTING GROUP (UK), which will specialise in recruitment in banking and finance, EDF, accounting and general management. He joins the Slade consulting group from the Saci company in Melbourne where he was managing director.

*
Mr Charles Cunningham has been appointed finance director of the EARLS COURT AND OLYMPIA group from November 1. He was commercial director of P & O Rail Shipping.

*
Mr Michael Newey has been confirmed as sales director, UNIONBOULD-COPYDEX following the departure last month of Mr Ronald Hadley.

*
Tyler Low has formed TYLER LOW CARGO INSURANCE BROKERS, appointed Mr Andrew P. Harding as managing director, and Mr Andrew J. Chapman and Mr Graham E. Hamby as directors.

*
Mr John Netherwood has been appointed to the board of ALLIED PLANT GROUP, as managing director of United Kingdom, a subsidiary engaged in forktruck hire and sales.

*
Mr A. C. Liddle has been appointed managing director of SIRIUS INSURANCE COMPANY (UK). Mr A. J. Webster will be joining the company managing director of the UK. He takes over from Mr R. E. F. Eastoe, who has been appointed his deputy.

*
Mr Keith Grant has been appointed assistant secretary of COMMERCIAL UNION ASSURANCE CO from November 1.

*
WHITE YOUNG has appointed Dr R. M. Williams as associate director with special responsibilities for the real technology division, and Dr S. K. Winterbottom as associate director with special responsibilities for technical development.

*
The CITY UNIVERSITY, London, has appointed Mr Weston G. Bumble, former Canadian consul and trade commissioner in Glasgow, as director of the university's newly-founded bureau for industrial enterprises (CUIBE). He will lead a team to promote and market the university's intellectual resources, skills and laboratory and computer facilities to meet the short-term requirements of industry.

*
Mr Lawrence Coppel, a director of Singer & Friedlander, has been appointed a non-executive director of NOTTINGHAM BUILDING SOCIETY. Mr Simeon McMurtry is retiring from the board. He was chief executive until 1971 and has been a director for 17 years.

*
DAILY HARVEY MACKAY (PENSION SERVICES) has appointed Mr Jack Smith as a director.

*
BRITISH METALLURGICAL ENGINEERING CONSTRUCTION ASSOCIATION has appointed Mr R. Khurshed as chairman and Mr A. P. Sharif as chairman of the Plessey Co responsible for personnel, chairman of the Plessey Pension Trust and Perton.

NOTICE OF REDEMPTION

to the Holders of

UER Overseas Finance N.V.

13 1/2% Guaranteed Debentures due 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of Section 301 (a) of ARTICLE III of the Indenture dated as of October 15, 1980, (the "Indenture") between UER Overseas Finance N.V. (the "Company") and Chemical Bank, as Trustee, (the "Trustee"), under which the above described Debentures were issued, the Company will redeem and the Trustee has drawn by lot for redemption on October 15, 1985, as required by the above-mentioned Section of the Indenture, \$5,000,000 principal amount of the above-described Debentures of the denomination of \$1,000 each, bearing the following serial numbers:

7	1575	2060	4518	6185	7618	9104	18680	14175	15088	17144	18688	20135	21671	22810	23088	23218	23438	23608	23805	23949	24108	24260	24398	24578	24695	24852
17	1576	2070	4522	6186	7629	9114	18680	14185	15087	17154	18688	20145	21672	22815	23093	23223	23443	23612	23810	23954	24110	24262	24402	24576	24705	24853
28	1585	3071	4522	6176	7620	9124	18680	14195	15090	17165	18688	20155	21682	22816	23109	23227	23442	23613	23811	23954	24110	24262	24402	24576	24705	24853
35	1588	3081	4538	6188	7640	9125	18680	14216	15089	17175	18688	20156	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
43	1597	3081	4545	6187	7650	9126	18680	14221	15092	17175	18688	20156	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
50	1602	3092	4552	6188	7651	9127	18680	14221	15092	17175	18688	20156	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
70	1688	3102	4550	6207	7651	9146	18680	14232	15088	17186	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
76	1649	3112	4570	6207	7651	9146	18680	14243	15088	17186	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
80	1650	3123	4581	6228	7651	9165	18680	14253	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
85	1651	3123	4581	6228	7651	9165	18680	14253	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
90	1652	3123	4581	6228	7651	9171	18680	14254	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
111	1676	3124	4570	6248	7652	9177	18680	14274	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
112	1680	3144	4572	6260	7702	9187	18680	14274	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
122	1690	3145	4572	6260	7703	9187	18680	14274	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
123	1711	3146	4572	6260	7703	9187	18680	14274	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
143	1722	3149	4573	6261	7724	9219	18680	14285	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
144	1732	3207	4574	6261	7724	9219	18680	14285	15088	17187	18688	20177	21682	22825	23107	23227	23442	23614	23812	23954	24110	24262	24402	24576	24705	24853
145	1733	3207	4574	6261	7724	9219	18680	14285	15088	17187	18688	20177	21682	22825	23107	23227	23442	2361								

THE ARTS

Galleries/William Packer

The Louvre project

It was the long-awaited opening of the Musée Picasso, at the Hotel Salé in the Marais, that was the principal object of my visit to Paris last week, but my first evening found me, within half an hour of arrival at the Gare du Nord, on the upper deck of a boat moored little below the Pont Neuf, enjoying the hospitality of Mr Willi Smith of Williwear and admiring the view.

The view was indeed remarkable, for the artist Christo had wrapped the bridge, even to its lamp-post tops, and only the carriageway itself left clear, in yellowish stone-coloured canvas sheeting which the warm, low evening sun caught and emphasised. It was both bizarre and oddly beautiful, and to judge by the crowds through which I had pushed to reach the boat, and the traffic jams along the Seine, the *rouge Paris* was as intrigued as I.

Christo is not the first with the idea, nor even the first to exploit in practice the surreal ambiguities of the wrapped monuments, he is the first by dint of inspired entrepreneurial persuasion, to make a career of such gigantic parcels. These projects, and many more as yet unrealised, are familiar enough through copious documentation in drawing, collage and photo-montage, but the Pont Neuf is the first of his appropriations of architecture that I have actually seen. I must say that it fully disarms my own lingering scepticism that the event could ever quite live up to imaginative speculation and possibility. It is one

of the duties of art to test and surprise our habits of perception and response; and the Pont Neuf in this state, thus hidden and revealed for another week or so, should not be missed.

It was, it so happened, a quiet time in Paris for exhibitions, with the Ingres Portraits about to close at the Louvre, and marvellous things — Klee and Matisse at the Centre Pompidou, Reynolds and Victor Hugo at the Grand Palais, and Le Brun at the Louvre — about to open within the fortnight.

But for one whose time must usually be taken up by temporary events the chance to see something of the permanent collections is not to be missed, and I had not seen the impressionist collections in the Jeu de Paume, Monet's *Nymphéas* in the Orangerie, and even the general collections of the Louvre itself, for far too long.

In the Jeu de Paume I fixed upon Manet's Olympia, one of the very greatest of all paintings of the nude which, by direct comparison makes even his own *Déjeuner sur l'herbe* appear great as it is seen spatially, turbulent and colour-solved. Upstairs is a wall of still lifes by Cézanne, and his *Woman with a Coiffière*, blue-grey and brown and solid as rock. There too are the five Rouen cathedrals in different effects of light, smaller than I remember them, which falsify the record of their prime desirability of all great museums in the late 20th century.

Le projet Grand Louvre, and especially its most conspicuous feature, the glass pyramid that is to rise to dominate the centre

of the Cour Napoléon and the long view of the Louvre from the Tuilleries Gardeons, has naturally stirred up a great controversy, but the debate is still well advanced. I shall leave all architectural comment to my colleague, Colin Amery, save only to say that the public misgivings hardly inhibit the erection of Mr Eiffel's Tower, or our own Richard Roger's Centre Pompidou, or even Louis Napoleon's own remodelling of the Louvre a little over a century ago.

For the moment, both the Cour Napoléon that opens on to the Place du Carrousel, and the enclosed Cour Carrée, are vast building sites, full of the noise and clutter of construction, and desperate archeological excavations just in advance of bulldozer and cement mixer. Armed with my falser poser and a white helmet, I penetrated these *channeles* to peer down, some 30 feet into the pit in the Cour Carrée, at what remains visible of the enormous footings to the towers of the fortress which Charles V built in the 16th century, and which are to be incorporated in this present scheme. And I walked the gangplank above the trenches in the Cour Napoléon, where the patchwork of medieval cellars and foundations is now laid bare, and given an unnatural elevation by the great pit which surrounds and encircles upon it by the day.

And so the Centre Pompidou, but not for any single exhibition, nor even the permanent hang of the modern collection as such, but rather to see some recent alterations to its presentation. The original screens for the display which came with the building were always unsatisfactory, too flimsy and evidently temporary to be accepted as permanent support for substantial masterpieces, now they have been changed, but unfortunately for the worse. The new interior structure is certainly solid and permanent in feeling, but heavy, overbearing and insistently regimented in its physical presence, and ponderously regimented in its presentation, with each particular display insulated in its geometric cubicle or cell, row upon row. It will have to go.

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Washington NSO/Festival Hall

Max Lopert

The third and final concert by Rostropovich and his National Symphony of Washington, on Friday, gave Jon Kimura Parker, most recent Leeds prize-winner, the opportunity to tackle the Chaikovsky Piano Concerto in London. Mr Parker, as has been pointed out on this page before, is an extremely well-schooled, powerful young player—the physique is that of a keyboard lion, and it enabled his owner to bring off all the physical test-points of the concerto with immaculate pinpoint precision.

What made the performance so peculiar was its almost complete innocence of anything like personal stamp. All the executive mannerisms, down to the most carefully fine-tuned planimetrics and melodic gradings in the slow movement, seemed to have been garnered

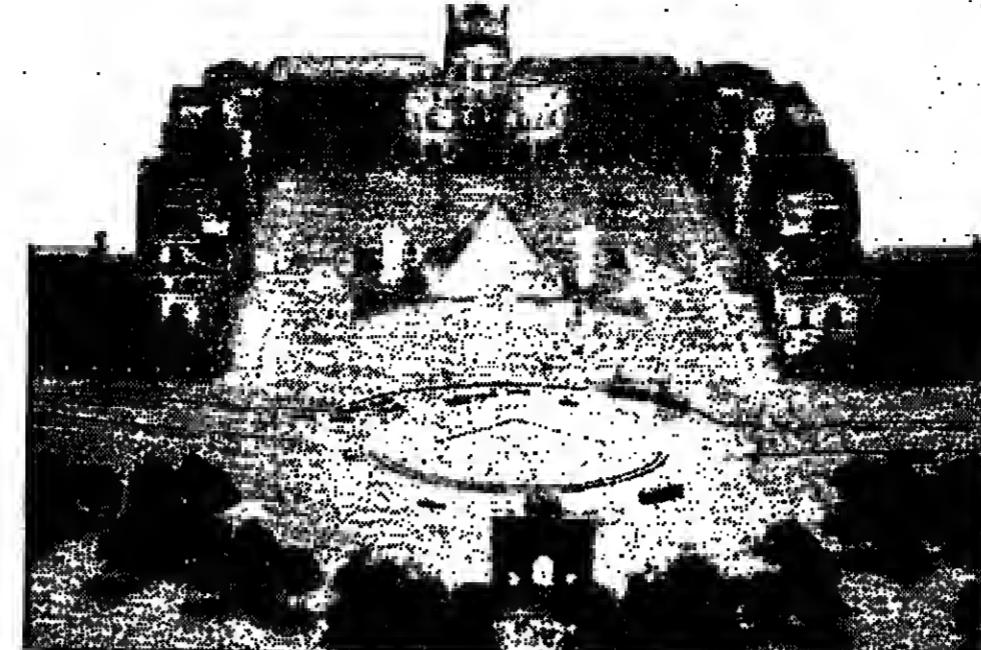
elsewhere and swallowed whole without so much as a digestive retch or hiccup. In its way, the very callowness carried a certain curious appeal; but it did pose questions about Mr Parker's potential for development as an artist.

Conductor and orchestra, having followed the young soloist with devotion if not always sufficient quicksilver energy, then came into their own with the Shostakovich Tenth Symphony, in a performance which served to show off Rostropovich's new maturity as a conductor (none of the carnal tricks of musicianship that married his London Chaikovsky cycle a few years ago) and likewise the good quality of his players (even if the wind section lacks the distinctness character found in first-rank orchestras, it was able to sustain strongly the

bleak, sere solos that make up the later sections of the symphony).

The Tenth is at once the most compact and the most extreme of Shostakovich's tragic symphonies—perhaps all of them deserve the epithet, but some propose the tragic themes less equivalently than others. The degree of autobiography and also of anti-state fury that the composer intended to be understood has still to be established beyond question; but for Rostropovich the work obviously stands as a personal testament of the highest worth, and his response to it was commensurate. Everything in the performance seemed to be happening at the proper tempo, at the natural rate of unfolding, in the most noble expressive style; and the stature of all involved in it—composer not least—grew great by the close.

Sollberger's assiduous welding of clicks, buzzes, whistles and wheezes amounted to something very biting: one could guess at the intended continuous effect, but the music hardly sustained it. (The title comes from an Oriental poem about attaining effortless mastery of one's expressive means, whereas the musical construction



Model of the Louvre showing the proposed glass pyramid

of the Cour Napoléon and the long view of the Louvre from the Tuilleries Gardeons. The Ministry of Finance is to move out of its wing of the Louvre along the rue de Rivoli, which will put the whole vast building at the disposal of the museum. Meanwhile, deep below ground, great new works are afoot under the direction of Mr Pei, the architect of the east wing of the National Gallery in Washington, to supply the new auditoria that seem to be the prime desiderata of all great museums in the late 20th century.

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EMAS/Almeida Theatre

David Murray

EMAS is the Electro-Acoustic Music Association, dedicated to the electronic extension of the possibilities of music. On Sunday it presented the American minimalist Nancy Ruffner, well known for her committed experiments in new music, with an eight-track tape machine. For variety there were two pieces for tape alone, as well as two just for solo flute — though those last taped the more obscure possibilities of the flute itself, enhanced in Harvey Sollberger's *Riding the Wind II* by amplification via a contact microphone.

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guess at the intended continuous effect, but the music hardly sustained it. (The title comes from an Oriental poem about attaining effortless mastery of one's expressive means, whereas the musical construction

positively sweated effort.) President Trombly's flute-and-tape *Kinetics III* — written for Sollberger, as it happens — sounded equally self-conscious and busily with the more slotted too quickly into its taped component (from 1971 electronics), Miss Ruffner sounded loyal but constrained.

Everything else was more interesting. Only Steve Reich's recent *Vermont Counterpoint* harnessed flute to tape with comparable strictness, and in Reich's kind of music the bright rigour is half the charm. On his tape there are 10 other flute, rotating a typically sprightly fragment or two—hundreds of times—over a chugging rhythm with a shorter-pulsed coda. The live performer climbs aboard and joins in, adding a fresh repetitive voice first on C flute, then alto, then piccolo and round again. An engaging piece that doesn't outstay its welcome, though the solo flute is kept modestly subservient.

The clear, graceful successes were Franco Dominitti's *Specchi*, elegant, suggestive flute-writing with an optional tape-backing (realised here by Tim Souster) of soft, warm waves; and Robert Dick's *Afright*, in which the flute is its own accompaniment with sophisticated harmonics. The lines of the music are simple, transparent and rather haunting; the "effects" slip naturally and unobtrusively into place.

Gerard Schwarz/Barbican Hall

Dominic Gill

The biographical notes describe Gerard Schwarz as "one of America's most and most successful conductors, and Peter Amoyal as "one of the leading violinists of his generation." Their performance together of Chaikovsky's violin concerto with the London Symphony Orchestra on Saturday night put a certain piquant strain on the biographer's judgment.

Mr Schwarz, who last year

was appointed principal conductor of the Seattle Symphony

Orchestra, beats time well

enough in a solid, predictable

and somewhat academic

fashion; but his direction has

so originality, and little of what

one is accustomed to call a con-

ductor's "presence."

M. Amoyal's performance was

very decent read-through, and

for all I know may have been

just that: as a fully fledged

performance it lacked any

depth of texture or originality

of expression. By the time we

reached Beethoven's fifth

the audience bad got

tired and had stopped applauding every movement. Perhaps

they too realised that it was

the kind of performance which

the LSO, seasoned professionals

that they are, could have played

in their sleep, textually

shallow, rhythmically flaccid,

and in which absolutely

nothing beyond a recitation of

the notes happened at all. A

very puzzling evening: is this

sort of thing a part of the LSO

economy drive?

A Berry, a Seed and a Root Steeped in History

Juniper berries from Northern Italy, coriander seeds from England and angelica root from Flanders.

These are what impart such delicate characteristics to Beefeater gin.

Macerated in pure grain alcohol and then distilled in accordance with the original recipe of James Burrough, the company's founder:

We haven't changed a thing. Not in 170 years. We're a company steeped in history. We like it that way.

And every time you taste our London Dry Gin, with its fleeting essence of juniper, coriander and angelica—you'll like it that way too.



THE GIN OF ENGLAND

Arts Guide

Opera and Ballet

LONDON

English National Opera, Coliseum: Further performances of the new *Orpheus in the Underworld* — the talking-point of which, for good or bad, is the cornucopia of visual effects of Gerard Scarfe. Also this week: *Rigoletto* and *Cosi fan tutte*, both still in repertory; and a revival of previous ENO hits (5383181). Sadler's Wells, Rosebery Avenue (2782816); Sadler's Wells Royal Ballet in a varied season, including *Giselle* in Peter Wright's excellent staging and a new ballet by Derek Deane.

PARIS

Berlioz's *La Damnation de Faust* conducted by Sylvain Cossette, in a new production co-produced by the Opéra Comique of Florence and Chianciano's Lyric Opera, this week, where the crowd is one of the principal protagonists, opens the season at the Paris Opera (2653022). Classical Indian Dancing as part of Année de l'Inde at the Théâtre du Rond Point (2657080).

WEST GERMANY

Cologne, Opera: To commemorate Handel's 300th anniversary, Agripina is offered with Günther von Kempen and Barbara Daniels. Lucia di Lammermoor convinces Lucia Alberti outstanding in the title role. Turandot is respectable with Kathryn Montgomery, Melisso and Ernesto Veronelli (267811).

Frankfurt, Opera: Die Trojäne is again offered this week. It has Gail

Gilmore, Rachel Gribble and William Cochran as leads. Dido and Aeneas is conducted by Michael Rother, Glyndebourne and Valentijn Jar appear in the main parts (25621).

Münich, Bayerische Staatsoper: Macbeth has fine interpretations by Elizabeth Connelly and Piero Cappuccilli. Die Zauberflöte, Webster's *Der Freischütz* and *Die Fledermaus* are well done, repetitive performances. Ariadne auf Naxos is worth a visit, starring Waltraud Meier, Julia Kaufmann and Sabine Hass-Alde is well cast with Bruno Bartoňík, Julia Varady and Piero Cappuccilli. Schönberg's rarely played *Moses und Aron* closes this week.

SPAIN

Madrid, Real Madrid football stadium: Open Air concert. Free entrance, organized by El Corte Inglés, presents José Cobos conducting the Royal Philharmonic Orchestra with popular Spanish music. Pasacalles and

Ariadna, Stabat Mater by Juanjo Martínez (2658000).

Barcelona, Auditori: *Die Zauberflöte* by Peter Sellars (2658001).

Valencia, Teatro Principal: *Die Zauberflöte* by Peter Sellars (2658002).

Granada, Teatro Cervantes: *Die Zauberflöte* by Peter Sellars (2658003).

Salamanca, Teatro Calderón: *Die Zauberflöte* by Peter Sellars (2658004).

Seville, Teatro Real: *Die Zauberflöte* by Peter Sellars (2658005).

Barcelona, Auditori: *Die Zauberflöte* by Peter Sellars (2658006).

Malaga, Teatro Cervantes: *Die Zauberflöte* by Peter Sellars (2658007).

Murcia, Teatro Romano: *Die Zauberflöte* by Peter Sellars (2658008).

Zaragoza arranged by Cobo: American Robert Mandell will conduct orchestra to accompany Spanish tenor Jose Carreras. Repertoire will include West Side Story. Spanish ballad dances, arranged and choreographed by Carl Davis (Tue).

NETHERLANDS



FINANCIAL TIMES CONFERENCES

Fourth Retail Banking Conference

The Economics of Financial Services

16 & 17 October 1985

This conference is to be chaired by Mr John Marion of American Express and Mr Anthony Graymer of House Goveit, who will also be giving papers.

Other speakers will include:

Mr M J Regan
Domestic Banking
The Royal Bank of Canada

Mr T H Green
Business Development Division
National Westminster Bank PLC

Dr Wolff von Schimmelemann
DG Bank

Mr John C Elliott
MasterCard International Inc

Mr Peter Birch
Abbey National Building Society

Mr Charles M Winter
The Royal Bank of Scotland
Group plc

Dr Hans Voegeli
Bank Vontobel & Co Ltd

Mr Christopher D Batt
Booz Allen & Hamilton Inc

Mr Michael Bates
Webbeck Financial Services Ltd

Sir John Read
TSB Group

Fourth Retail Banking Conference

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CANADIAN BUSINESS

Bernard Simon reports on the effects of a shift in control of the Thomson empire

ITO to steer clear of uncharted waters

A NEW generation of managers is trying to bring a sharper focus to International Thomson Organisation (ITO), the conglomerate stitched together in 1976 to oversee the travel, energy and some of the publishing interests of the Toronto-based Thomson family.

The chief executive's job passed, earlier this year, from Sir Gordon Brunton to 50-year-old Mr Michael Brown, and the group has moved its main business office from London to New York, though the Canadian head office remains in Toronto.

With Mr Brown at the helm, ITO seems set on a course which will give it a less entrepreneurial flavour than the group had under Sir Gordon, a protege of the impulsive Lord Thomson of Fleet. According to Mr Brown, "Gordon was prepared to take very considerable risks. I don't feel any need to move into new areas. I would put more emphasis on risk containment."

Efforts to steer ITO into a better defined direction mirror events in the 1970s at the top of the Thomson empire, as control shifted from Roy Thomson, the first Lord Thomson of Fleet, to his less colourful and more cautious son Kenneth, who prefers to be known—at least in North America—simply as Mr Ken Thomson.

The younger Thomson, now 62, leaves the impression that keeping his father's legacy in good shape is more important than moving into uncharted waters. Asked whether he planned radical changes in the family's investments, Mr Thomson said that "when you start trading something like that, you're trading a little piece of your soul."

With the exception of the acquisition of the Canadian retail and property group Hudson's Bay Co. in 1979, the basic structure of the Thomson empire has changed little since Roy Thomson died a decade ago.

According to Ken Thomson, "I have the pride of the family businesses and the memory of my father." Even though he spoilt me in a material sense, he ingrained in me a sense to do things properly and responsibly.

The Thomson businesses have three main legs: Hudson's Bay, ITO and cash-rich Thomson Newspapers, which owns about 150 daily and weekly papers in Canada and the U.S., mostly monopolies in small communities.

There are more modest interests in teaching and insurance. The family sold its two main competitors, Inter-

national Publishing and Pearson Longman.

To avoid being trapped in markets with little scope for expansion, ITO has disposed of about 20 British enterprises, including general book publishers like Michael Joseph, Hamish Hamilton and Sphere Books, an insurance broker, a welding company and The

more fields in the North Sea, all of which were disappointing and the group has forecast lower earnings from travel in the second half of 1985.

Despite the inevitability of a further decline, ITO wants to ensure that energy remains a significant source of cash and earnings throughout the 1980s. The company currently has interests in 23 North Sea

oil wells. Earnings from oil and gas were as high as 83 per cent of the total in 1979.

Furthermore, expansion of the U.S. travel operation has come to a virtual standstill as ITO concentrates on improving margins in its existing West Coast and Mid-West markets. The U.S. travel division turned the corner to profitability for the first time last year after five years of losses totalling US\$50m.

"It was less easy than we thought to transfer British experience into North America," Mr Brown said.

In effect, the emphasis in the travel business is also on new products rather than diversification into hotels or new geographical areas. Thomson Travel burnt its fingers in the 1970s by buying hotels in several of its main holiday destinations.

Mr Brown said: "It's jackets off" in the intense battle for business with the aggressive International Leisure Group (formerly Intasun). "We'll match them pound for pound on price and beat them on quality, he added with a smile.

Mr Brown is also busily in discussing another challenge facing ITO, namely, the dearth of senior managers with experience beyond one segment of the group's diverse businesses. Besides Mr Brown, none of the managers in the publishing or travel divisions has had experience in any of the others, and the heads of all three arms are relatively new in their jobs.

Transfers between divisions are likely to take place more frequently in future. In the meantime, ITO has announced several senior promotions, apparently designed to strengthen the top ranks, and to give the men involved a wider exposure to the overall business. Mr Robert Jachino, head of the North American publishing interests, has been named executive vice president and an ITO director. The heads of the North Sea and travel divisions have become vice presidents.

It is not impossible, of course, that a third generation of Thomsens will take a more hands-on interest in ITO. Mr Ken Thomson's elder son David, 28—whom his father says "has some of my father's drive" and "some very firm ideas for a young man"—presently works for Hudson's Bay. His brother Peter, 26, may do the same, possibly after spending a year

blocks, and hopes to participate in at least 14 wells a year. The Balmoral Field will come on-stream in 1987, to be followed a year later by Scapa. ITO has a 20 per cent stake in each. A Canadian oil and gas subsidiary, Thomson-Jensen Energy, participated in 90 wells last year.

But in this case too, Mr Brown's ambitions are limited. He stresses that ITO will not move beyond low-risk drilling ventures in the North Sea, Canada and the U.S. Nor has it any plans to diversify into downstream activities.

Mr Brown hopes that earnings from these investments will ensure that oil and gas continues to contribute at least 20 per cent of the group's total profits.

While finding a replacement for cash flows from oil and gas appears to be ITO's major long-term challenge, its most pressing immediate problem is to push up margins and maintain market share in its British and American travel businesses.

Last summer's UK travel Oxford University.



Lord Thomson (left) and Mr Michael Brown, the new chief executive

Illustrated London News. The latter conflicted with ITO's preferred strategy of avoiding consumer magazines.

Besides Thomson Regional Newspapers, the British publishing interests have thus largely been narrowed down to business magazines and information services, supermarket magazines and specialist books, like the military reference works produced by Jane's Publishing.

Acquisitions in the U.S. are also proving costly, and competition is fierce. But Mr Brown says that the larger market and wider scope for creating new products make North America more attractive for long-term growth. He predicts that ITO's publishing subsidiaries will launch at least 80 new subscription products in the U.S. this year.

The mix of profits from ITO's main business is also changing. Oil and gas contributed almost 55 per cent of trading income last year, but the proportion is falling as output from the large Piper and Clay-

BASE LENDING RATES

A.B.N. Bank	11 1/2%	Hambros Bank	11 1/2%
Allied Dunbar & Co.	11 1/2%	Herrable & Gen. Trust	11 1/2%
Allied Irish Bank	11 1/2%	Hill Samuel	11 1/2%
American Express Bk	11 1/2%	C. Hoare & Co.	11 1/2%
Henry Ambacher	11 1/2%	Hongkong & Shanghai	11 1/2%
Amro Bank	11 1/2%	Johnson Matthey Bks	11 1/2%
Associates Cap. Corp.	12 1/2%	Knowles & Co. Ltd.	12 1/2%
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Canada Permanent	11 1/2%	Provincial Trust Ltd.	12 1/2%
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Clydesdale Bank	11 1/2%	United Bank of Kuwait	11 1/2%
C. E. Coates & Co. Ltd.	12 1/2%	United Mirrabi Bank	11 1/2%
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Exeter Trust Ltd.	12 1/2%	21-day deposits over £1,000 8.25%.	
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Finsbury Corp.	12 1/2%	See Provincial Trust Ltd.	
Robert Fleming & Co.	11 1/2%	■ Demand deposits 8.00%.	
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FINANCIAL TIMES SURVEY

Tuesday October 1 1985

Efficient distribution is a key factor in many manufacturing and retail businesses, particularly high street stores. Widespread improvements using computers, and new, highly-specialised services, are greatly speeding the flow of goods.

Expanding at a huge rate

BY PHILLIP HASTINGS

A MAJOR exhibition being held in London next week will highlight many of the latest developments in what is now an increasingly sophisticated UK distribution industry.

Exhibitors at the Distribution Services Show, at the Wembley Conference Centre, include, for example, about a dozen computer system and software companies, at least one leading distribution consultancy, and a cross-section of about 100 equipment manufacturers and service operators.

Taken together with an associated one-day conference "Distribution—the last 10 years," being organised by the Institute of Physical Distribution Management, the exhibition provides further evidence that distribution is now recognised as a key factor in the success of most manufacturing and retailing businesses.

The reasons are simple: distribution costs can account for 15 to 25 per cent of the purchase price of a product and even a small company can easily spend £250,000 a year on distribution, the volume of which over recent years has begun to reflect increasing demand at retail level.

"Many managing directors are involved on a day-to-day basis with distribution accounting for 5 to 10 per cent of their time. While other directors spend in excess of 30 per cent with some of whom wholly dedicated to distribution activities," according to a National Carriers Contract Services report on physical distribution management, or PDM, as it is often called.

Exhibited by NCCS is reflected in the growing membership of the Association of Physical Distribution Management since it was set up in 1981.

"We have been expanding at an enormous rate and now have a membership of over 3,000, a trend which runs parallel with the increasing professionalism of the distribution industry," he PDM says.

As professionalism has grown so has the complexity of the distribution industry, which has led in turn to increasing use of specialist consultancies to advise manufacturers and retailers alike on the best ways to handle their particular distribution requirements.

Thus, the National Freight Consortium's new NFC Distribution Group, which comes into being on October 7, includes a consultancy committee developed from the resources of NFC's former BRS Consultancy and the planning and development department of the SPD organisation which it acquired from Unilever at the beginning of this year. The NFC hopes its new consultancy operation might stimulate other year in existence.

Many managing directors are involved on a day-to-day basis with distribution accounting for 5 to 10 per cent of their time. While other directors spend in excess of 30 per cent with some of whom wholly dedicated to distribution activities," according to a National Carriers Contract Services report on physical distribution management, or PDM, as it is often called.

managing director of distribution consultants Davies and Robson, points out, there may be a requirement for specialised knowledge or experience not readily available within the organisation concerned, while in others there could be a need for a fresh, unbiased opinion on the merits of future plans or the analysis of existing problems.

No one should underestimate the opportunities for improvement in distribution cost effectiveness at even the most simple levels, he observes. It is not uncommon, for example, for a pack design adjustment measured in millimetres to have very significant implications on the economics of unit loads which could be more efficiently accommodated in warehouses or on delivery vehicles.

"One company achieved a 30 per cent increase in unit load capacity by making changes of only 4 mm on the length and 3 mm on the width of the product cartons," Mr Kelly says.

"Put in more direct terms, efficiency improvements of that magnitude mean that a vehicle journey can deliver the same payload that previously would have required 100 vehicle journeys."

With such relatively small factors often going to make a substantial difference in overall distribution costs, computerisation has also made major advances in the sector. In addition to basic processing of documents, order picking, and so on, computer systems are also used increasingly to organise actual operations.

Among case history studies typical of this sort of PA Computers and Telecom-

munications firms are involving the Argyll Stores group where by using the PARAGON system the vehicle fleet at one depot had been reduced from 33 trucks to 23, despite a traffic volume increase of some 20 per cent over the same period.

Another user had recently identified potential savings of £1.5m by using the system and implementation was now under way.

Computer systems now also form a vital link between manufacturers/retailers and the third party distribution specialists which increasingly dominate the overall market.

The food distribution specialist Lowfield, for example, uses a system based on an ICL ME 20 computer to link its 13 depots throughout the UK with customers to provide fast statistical analysis of management

information for transmission to all clients.

"The computer analysis provides information which can link production to the exact level of orders and warehouse stock," says Mark Skipwith, Lowfield's managing director.

"Money tied up in large stocks is nothing, he points out. The use of Lowfield's system meant clients could avoid such unnecessary expense, with back-up stocks kept to a minimum.

The speed and accuracy of the system also enabled clients to invoice earlier. The computer could raise invoices as soon as goods were delivered. The quicker the invoices were dispatched, the quicker payment was received.

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Delivery truck at Sainsbury's Buntingford, Herts, depot, which serves 75 stores daily in the South Midlands, East Anglia and North London

Photo: Hugh Routledge



"WE CHOSE CARGO DRAWBARS FOR EXTRA LOADSPACE."

WE GOT MORE THAN £220,000 OF COST SAVINGS."

Harry Rawlings, Transport Manager, Sketchley.

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Distribution Services 2

Powerful food groups dictate changes in pattern

Growth of central warehouse deliveries

Retailers

PHILLIP HASTINGS

WITHOUT DOUBT the largest influence on the fast-changing pattern of UK distribution operations in recent years has been the growing buying power of major retail organisations.

Increasingly, it is the big multi-store groups such as Sainsbury's, Tesco, Marks and Spencer and Debenhams, for example, which are dictating the way goods are distributed from the source of supply through to the retail outlet.

"Basically, the major high street retailers have become the public's purchasing agency rather than the manufacturers' selling agency," says John Kelly, managing director of the distribution consultants Davies and Robson.

By that, he means retailers are assessing what their customers want and then passing on those demands to manufacturers and suppliers, a development now being reflected in the distribution sector.

At the heart of the revolution in distribution patterns, was the change by the powerful grocery multiples in particular to effect fast delivery to high street outlets via central warehouses. This had fundamental implications for manufacturers.

Little dialogue

"Central warehouse deliveries are undermining the economic viability of the long-established depot networks and transport operations of many manufacturers," says Mr Kelly. As yet, he adds, hardly any dialogue has taken place between distribution planners and major retail chains.

The rise to prominence of the retailers, or access to the suppliers, when it comes to determining distribution operations has been fairly swift.

Twenty years ago, the patterns of distribution in the UK were set principally by manufacturers and suppliers—during the mid-1960s it was estimated that some 70 per cent of distribution within the country was being handled by manufacturers' own account operations.

The basic set-up continued into the 1970s, with most of the major advances in distribution systems and technology emanating from the suppliers' side.

Even at the start of this decade, it was thought that more than 40 per cent of grocery traffic, for instance, was still being delivered to retailers' premises by the suppliers' own vehicles.

However, as the recession really began to bite, the large retailers had already grown to the point where their massive purchasing power enabled them to start calling the tune in distribution as in other areas. Aware of the need to reduce stockholding on their own premises and to improve productivity in terms of high street deliveries, they began to centralise deliveries in large warehouses and introduce delivery appointments systems.

In a growing number of cases, the need to keep supermarket depots and stores supplied without maintaining large stocks on site has led to the development of large-scale centralised warehousing operations which allow stock replenishment at high street outlets to be consolidated into one large delivery per day.

Management of such central warehouses can be either in the hands of the retailers themselves or third party contract distribution companies working on their behalf.

A close relationship with that carrier allows low-cost inter-store movements and operation of returns procedures. Mr Hughes, whose United Parcels group includes United Carriers, Atlas Express, Sovereign Arrowfast, Nationwide, Scorpio International and National Cover, says:

Third party

However, according to Mr Skipwith, managing director of food distribution specialist Lowfield, while many retailers have indeed switched over to routing a large proportion of their goods through central warehouses, others still have a long way to go in that direction.

Where companies were developing new retail sites, they were tending to cut down on their own facilities and use more third party central warehousing but where there were facilities already existed there was a tendency to continue with them.

Manufacturers, on the other hand, are tending to contract out distribution services, particularly on secondary distribution points of the stockholding points."

"The logic of central warehousing is now established and a lot of the major retail chains already have 70-80 per cent of their goods routed through such facilities," Mr Kelly says.

In some cases, he added, retailers would nominate which carriers should transport their goods and then leave it to the manufacturers and suppliers to negotiate the cost with the designated distribution service operator.

Taking up the same theme, Mr Ed Hughes, group marketing manager for United Parcels, the parcels distribution

specialist, said that, while to the immediate view a retailer had no distribution costs as customers took goods away, distribution in its broader sense covered the movement of goods to stores as well as away from them.

By controlling the movement of goods to his store, a retailer gained greater control in areas such as "suppliers' agents". He could also, through control of delivery movements, reduce stockholding, arrange special deals for promotional pricing, reduce price rises, increase goods inwards productivity, control the timetable, paperwork, proof of delivery activities and above all monitor the performance of the carrier operating on behalf of the public's purchasing agency.

The latest evidence for them to supply their large customers direct from the factory site or central warehouse to the customers' central warehouse has been reducing the throughput at many of those depots.

In some cases this is destroying the economic viability of the network. At the very least, the optimum vehicle size for the depot operation has been getting smaller, as has the quantity of vehicles required. Conversely, central warehouse deliveries may at the same time be creating a need for some larger vehicles.

It is obvious that in these circumstances it is better to have a highly flexible distribution system. Mr Kelly says: "Manufacturers who used third-party facilities would clearly be able to adjust their distribution arrangements most easily to new situations."

"There is little doubt that the example of companies such as Kellogg's, Nabisco and Pedigree—who have traditionally adopted a policy of hiring space in vehicles and depots rather than investing in large fixed resources—will be followed by many manufacturers."

Faced with similar problems to manufacturers, leading specialist grocery distribution companies have also had to rationalise their depot networks in response to the rise of warehouse-to-warehouse operations.

Although a certain amount of direct-to-outlet deliveries are likely to continue, grocery carriers are likely to find that with common user services at least, average drop sizes will fall as more and more traffic is routed via specialist distribution systems.



John Kelly: Major retailers have become the public's purchasing agency



Mark Skipwith: Food sector has been setting the trend

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Wincanton

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Boom in mail order deliveries

FLOURISHING mail order business at present and the prospect of more armchair shopping in the future are together encouraging the development of new home delivery services.

The latest evidence of this trend within the general distribution sector came earlier this year in the form of Homespeed, a new company launched by National Freight Consortium member Pickfords.

Basically, Homespeed now offers a nationwide, two-crew service specialising in deliveries of furniture, flooring, leisure and white and brown goods weighing 22.5 kilos or more, or items which are abnormal in size or bulk.

Customers are sent an advance notice of an imminent delivery, with follow-up action provided for undelivered goods. The service includes Saturday and evening deliveries.

First customer for Homespeed, which was officially launched in April with an initial fleet of 210 vehicles and 170 trailers, was Littlewoods, the mail order giant.

In addition to servicing the latter company's mail order business, Homespeed will also be involved in teleshopping delivery operations.

"The growth of direct selling, the advent of teleshopping and changing practices in retailing have signalled the need for a dedicated, nationwide service of this kind," says Mr Stephen Jordan, Pickfords' marketing and development director.

Similar sentiments were voiced by Mr John Aberley, managing director of Great Universal Stores company GUS Transport, at the launch last year of Homeline, a home delivery service set up in partnership with distribution specialist Lex Wilkinson.

He said: "Today's television set is soon to become tomorrow's shop window, providing a consumer service that demands low-cost, high-quality home delivery."

Confirming their commitment to the operation, GUS Transport and Lex Wilkinson signed a 10-year agreement on the establishment of Homeline. The idea is to marry up the local delivery experience of GUS Transport's White Arrow operation with Lex Wilkinson's collection and marketing expertise.

Homeline basically caters for parcels of up to 25 kilos, with collections being made for as few as 10 parcels. The majority of deliveries are made within three days, and all of them within five working days.

P.H.

Expanding at huge rate

CONTINUED FROM PAGE 1

In addition, the computerisation of all documentation covering orders and delivery has reduced the time taken to process them.

With salesmen able to check with stock and transmit orders to the computer from their own homes, clients were saved many administrative headaches.

However, while computerisation represents one of the most immediately obvious signs of the fast-changing nature of UK distribution, some of the most significant developments come in the general philosophies and policies of both suppliers and retailers, forced by rising competition to seek ever greater efficiency in the movement of their goods.

Manufacturers' own account transport operations have declined substantially in recent years as suppliers have found the pattern of distribution activities being increasingly dictated by their customers, particularly the major retail organisations, looking for ever more sophisticated total distribution systems.

Basically, the very high volume turnover synonymous with large supermarkets and other stores has rapidly outstripped previously established distribution practices under which a separate vehicle delivered to the retail outlet from each source of supply. Problems of unloading, queuing, unpredictable waiting times and inconvenient delivery times made change inevitable.

"The obvious solution is to concentrate deliveries from all sources into a central warehouse, which enables stock replenishment at high street outlets to be consolidated into one large delivery per day," says Mr Kelly.

Mr Skipwith adds: "It's a very simple concept."

Computer monitoring of goods and vehicles enables complex stockholding and delivery schedules to be met.



Computer monitoring of goods and vehicles enables complex stockholding and delivery schedules to be met.

Demand for bigger operations

Chilled/frozen food

PHILLIP HASTINGS

PUBLIC FLOTATION earlier this year of the temperature-controlled distribution specialist Christian Salvesen illustrates a continuing growth in the business of storing and transporting chilled/frozen products.

At the same time, with customers buying more and more meat, fish, fruit, vegetables and dairy produce from the major high street multiples rather than smaller local shops, demand has grown for larger-scale, more sophisticated distribution systems to feed through such produce.

As the size of the distribution operation has grown, so has the cost of setting up such systems—in the case of customer-dedicated set-ups, third party operators are now often looking at an investment of £2.3m.

Prominent among the relatively small number of specialist temperature-controlled distribution specialists in the United Kingdom are Christian Salvesen Food Services Europe, Fugro-Scandinavia and Tempco Union established last year as the result of a £26m merger involving the National Freight Consortium subsidiary Tempco International and Union International's Union Cold Storage Company.

Some of the most obvious evidence of the overall build-up in temperature-controlled distribution activities over the last few years has in fact come from Christian Salvesen.

The Edinburgh-based company started with a cold store at Grimsby over 20 years ago, and has grown to the point where it now has 23 depots/locations in the UK and a further 14 on the Continent covering France, Belgium and Holland. The total number of vehicles operating out of those bases is now about 600.

During the run-up to its public flotation, Salvesen said that further expansion of its operations was planned over the next few years and that has already been reflected in the

storage and distribution sector. Recently, for example, the company acquired a modern 1.2m cubic foot cold store, vegetable processing and repack operation at Eyemouth near Berwick, while the Continental distribution network was expanded with the acquisition of three depots in Holland which were operating a fleet of about 100 vehicles principally for chilled distribution.

Another example is Wincanton Chilled Distribution, set up four years ago as part of the Wincanton Transport Group to specialise in chilled food distribution.

Basically, WCD's operations are centred on three temperature-controlled transhipment centres—at Chippenham in Wiltshire, Brentford in West London and Uttoxeter in Staffordshire—which form a "hub-and-spoke" network.

Daily distribution now involves up to 3,000 pallets from more than 400 production locations to 70 distribution outlets. WCD's fleet of 200 vehicles now provides services for over 80 customers.

Expansion

In addition to operating consolidation services, Wincanton also undertakes dedicated fleet management for companies such as Anglo Beef Processors (formerly Dalgety Meats), Blue Prince Mushrooms and Flying Goose.

However, although the temperature-controlled specialists have been substantially expanding their operations, they have not had the field to themselves.

A number of the major general high street distribution organisations have also become increasingly involved with this sector as they have seen that part of the overall market grow.

Among the prominent operators in the latter category is SPD, now part of the NFC's new distribution group.

Earlier this year, for example, SPD began handling the nationwide distribution of the reformulated and relaunched low-fat spread Outline, manufactured by Sussex-based Van den Bergs and Jurgens.

An SPD spokesman says: "The relaunch of Van den Bergs'

outline in a new formulation required strict controls throughout the distribution cycle and demanded delivery under chilled conditions. Another Van den Bergs product, a non-dairy cream called Eimlea, is now also being delivered by the chilled distribution fleet."

To cater for that and other common user chilled distribution, SPD over the last few months has acquired an additional 50 new vehicles, bringing its temperature-controlled fleet to over 100.

In addition, SPD has some 170 "Thermotainer" units which can be used for distributing chilled and frozen products in non-temperature controlled vehicles, for example where deliveries are being made to outlying areas or where only small drops are involved.

In a similar fashion to SPD, the Rail Transport and Storage Division of Marks and Spencer Transportation (UK), which claims to be the number two contract hire/contract distribution operator in the country behind the NFC set-up, now reckons that at least 600 of its 2,000-strong vehicle fleet are temperature-controlled.

In common with general trends in the UK distribution business as a whole, storage/transportation of temperature-controlled products is being funnelled increasingly through large, centralised warehouses and depots, with retailers dictating the pattern of operation.

Basically, such centralised systems fall into two categories—those which form an integral part of a retailer's overall administrative organisation and those which involve a system developed by an outside contractor.

Christian Salvesen, for example, is currently involved in operating a "piggy-back" service on behalf of such customers.

Mr Timothy Notley, Salvesen's business development manager, says: "Basically, this involves operating a central common-user storage point where the products from different manufacturers are held in different sections."

Products are then distributed to the retail outlets in a groupage type of operation, with goods from different manufacturers consolidated into one vehicle load for delivery to the points concerned."

Vehicles leave Salvesen's cold stores at Nine Elms, Easton and Lowestoft travelling to all areas of the UK each week, in some areas two or three times a week, with pallet-load quantities of frozen food.

Currently, Christian Salvesen operates a customer-dedicated

Distribution Services 3

Nightmare of constant change

Legislation

IAN REDPATH

THE WELTER of legislation, present and pending, governing the road haulage industry is a transport manager's nightmare. Weaving a safe course through the complexities of national and supranational rules, regulations, laws and directives is a formidable challenge.

Possibly the biggest single problem for operators is constant change. The framework appears to be constantly under review and the consequent uncertainty makes for short-term planning at best, and ultimately higher costs.

On a wider European scene, there is the much-awaited Regulation 543/69, reviewing and amending drivers' permitted working hours and minimum rest periods. Originally planned to become effective in mid-1985, it now seems unlikely that the European Commission in Brussels will have completed its attempts at compromise to achieve the new deadline of January 1 1986.

Regulation 543/69 was destined to make scheduling more flexible for operators but the most recent proposals—still being hoped by Commission to take account of the diverse views of the Council of



signs that Brussels will be forced to act and react more quickly in future. The Commission was heavily criticised in June this year by the European Court of Justice for dragging its feet over the industry's proposals on "back-loading".

Drivers would be allowed to work a maximum of six consecutive days; but there is still discussion over how the new rest periods—180 hours over four weeks, with a minimum of 12 hours a day, or perhaps 11—ace to be finalised.

Both the Road Haulage Association and the Freight Transport Association, between them representing most UK carriers, believe, however, there are

so far success has eluded the searchers.

What seems to worry UK operators most is the existing system of renewing operators' licences. The system is now being reviewed by the Department of Transport, and the industry has been asked to make submissions.

Attempts are also being made to ease the burden of documentation required to cross frontiers within the EEC.

Yet, as the Road Haulage Association complained, legislation rarely cuts costs for the distributor, retailer, or—ultimately—the consumer.

The EEC's 1984 directive on noise pollution, virtually halving the permitted decibel level emanating from both light and heavy commercial vehicles,

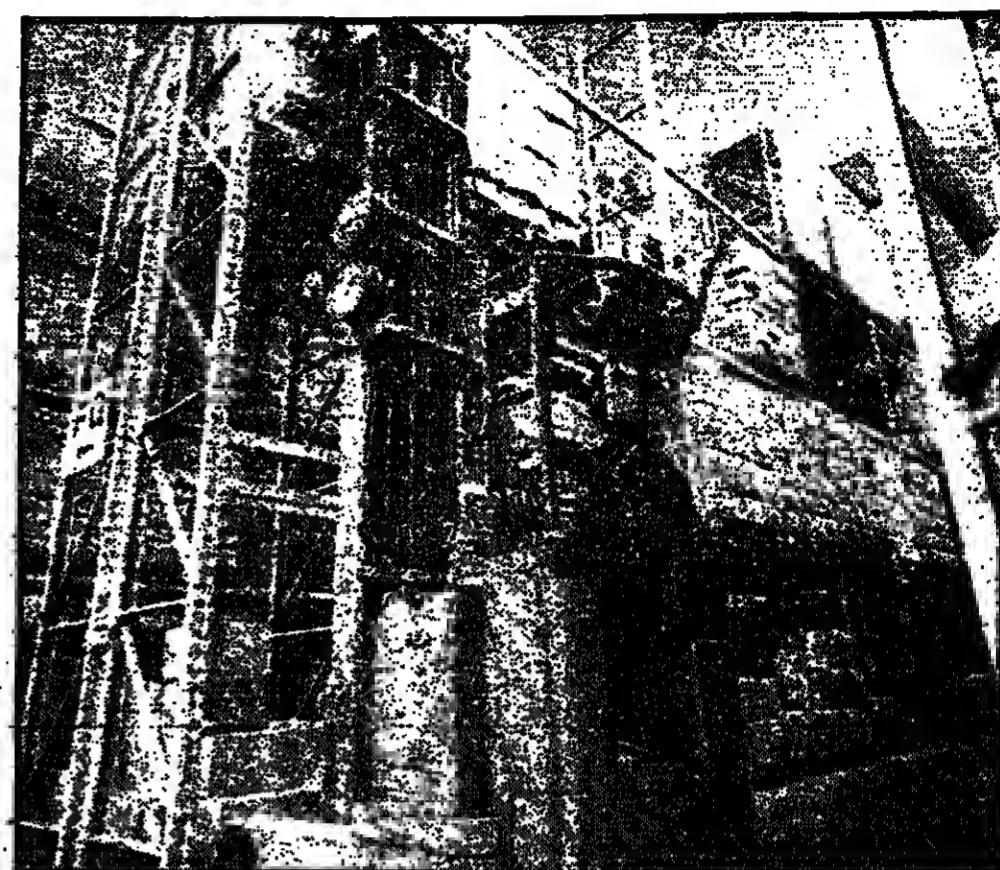
is another headache for the environmental lobby. But it imposes vehicle manufacturing costs and imposes a cost burden for the modification of existing vehicles before the deadline of 1989.

The same optimism attaches to the ban on lorries with more than two axles at nights and weekends in the area of the soon-to-be-wound-up Greater London Council. The GLC plan is due to come into effect on December 16—and no one knows what will happen after the Council's demise on April 1 and is now the subject of an appeal by the Secretary of State.

At present, each member-state through the issue of operators' permits, imposes restrictions on the collection and delivery of goods en route—from, say, Edinburgh to Milan. The effect is that for much of a long-distance round trip expensive transport units are travelling empty along Europe's arteries.

Senior industry sources explain that although every company wants to comply with the rules, the difficulty comes in trying to find suitable spray flaps. What is good for one vehicle is quite useless for the next. Further, what is good for one vehicle under certain loads, is quite pointless in other conditions.

There have been attempts to establish a British Standard, but Parliament. With Government support, its passage could be



existing units, with the consequent servicing problems.

ABOVE

Frozen food warehouse in the Midlands. Legislation produces constant changes which make it difficult for operators to plan their operations in the long-term

PROFILE: UTD

BY PHILLIP HASTINGS



Gerald Pickering: Being national is not enough in itself.

Aiming to go nationwide

FORMED JUST a year ago, United Transport Distribution has subsequently pressed ahead with a number of developments designed to help it become a significant force in the United Kingdom distribution field.

Currently, for example, the company is looking to find suitable facilities in the Bristol area which could be developed as a distribution depot to cover the South-West region, so completing a basic five-depot national network.

"Our basic philosophy is that we have got to be able to offer a nationwide distribution service and it is really a question of how we phase that development," says Guy Fenn-Smith, executive chairman of UTD's parent organisation in the UK, United Transport Company.

"However, we want to make sure we have firm legs on the ground before we move into new territory and that is what we have done so far."

Basically, UTD was formed from the merger in October 1984 of two United Transport companies, Scab of Middleton in Scotland and the Midlands-based Murphy Group. It is now one of half a dozen companies in UTC, itself part of United Transport International, a member of the British Electric Traction (BET) Group.

The idea of the merger was to encourage customers who had previously used Scab or Murphy on a regional basis to start considering the merged set-up for national delivery operations.

In keeping with that development aim, UTD quickly followed up its birth with the establishment of a third major depot facility to operate in tandem with the first two at Glasgow and Wolverhampton. The third depot, opened at South Kirkby near Wakefield in November last year, includes some 40,000 sq ft of warehousing space.

These three depots combined to give UTD reasonable coverage of Scotland, the North of England and the Midlands, leaving the South-East and the South-West as gaps which needed to be filled in order to offer a genuine national operation.

The first of those gaps was filled earlier this year when UTD opened a depot at Hoddesdon, Hertfordshire, where facilities include 48,000 sq ft of warehousing. Now, the search is on to find suitable premises in the South-West.

In addition to its principal facilities, UTD also operates a warehouse at Macclesfield and an industrial unit at Grangemouth which is basically used

'NIFTY AND THIRTY!'



Making regular, punctual deliveries of fast-moving goods to Concorde requires a special breed of truck.

Dennis James believes he has found it. In the new

Mercedes 7½ tonner, the 814.

"This one's been running for 9 months now. Like clockwork."

As his fleet already consisted of fourteen Merces (from 307s to artics), Dennis was eager to add the 814 as soon as it came on to the market.

"It was just the job," he explains. "There wasn't a van large enough or a truck small enough to fit our needs. We were relying on our dealer to come up with the goods again. He never fails."

"The 814 does a specialist job without demanding an HGV. The driver wants to take it home with him!"

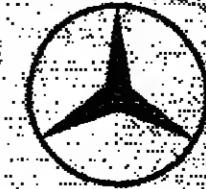
Operating through the tightest turns and narrowest lanes, the ins and outs of Heathrow Airport speak volumes of the 814's manoeuvrability, but how reliable is it?

"It's a Mercedes. I don't even expect anything to go wrong. The fleet made over 26,000 drops last year, over one million kilometres without a major problem. The 814 had a tough act to follow. But it's well on the way. It's done 48,750 kms between here and London so far, at 60 drops a week. And it still averages 18 mpg."

"With the cover of the Mercedes warranty on top, we'd struggle to do without it now."

It seems that the plane of the era and the Truck of the Year have a lot in common.

"Nifty and thrifty. We can't afford to be late because they can't afford to wait."



METICULOUS ENGINEERING DOESN'T COST YOU
IT PAYS YOU

Mercedes-Benz

Distribution Services 4

The trend is door-to-door

International express
PHILLIP HASTINGS

WITH AIR courier companies having over the past decade proved the feasibility of moving documents and small items very quickly around the world, interest has subsequently grown in the idea of similarly express freighter larger consignments.

Reflecting that interest—and in many cases generating it—couriers, forwarders, express delivery companies and airlines have over the past few years become involved in a fast-moving race to develop services designed to attract a sizable share of international distribution traffic.

As far as the UK is concerned, much of the initial interest in express service developments not surprisingly focused on links with the Continent and in particular the EEC countries.

Until the mid-1970s, express freighter items between the UK and the Continent basically meant using airline services. However, while goods moved through the air quickly, they were all too often delayed on the ground, leading to unsatisfactory total door-to-door transit times.

Alternatives to air were basically limited to a number of express road services, often involving only full load movements, and some of the faster groupage operations.

Spotting the potential for the fast movement of freight between the UK and the Continent via an operation which

offered rates which were below those of airfreighting and total transit times which were as fast if not faster, several companies began to promote the concept of what was then generally referred to as "express van" services.

Very much to the fore was a company called IPAC, now TNT-IPAC, which launched a major marketing campaign in the late 1970s to promote its van services as an alternative to normal airfreight operations.

IPAC was joined by many other established road service operators and a number of newcomers, all offering express door-to-door services both between the UK and the Continent and increasingly, Europe as a whole. Now, such services offer transit times from the UK to near Continental countries such as Holland, Belgium and northern France of

24 hours or less, with other European countries served on a 48/72-hour basis.

Stung by the challenge of express van services—the term "van" soon became overtaken by events as larger vehicles were introduced to cope with the increasing volume of traffic being handled—European airlines began hitting back by developing their own express operations.

British Airways, for example, set up Speedbird Express, using domestic express operator City Link Transport to handle UK collection/delivery operations.

While West German national airline Lufthansa got together with forwarding organisation Schenker to establish C and D Luftfracht System.

Together, the two airlines launched the first UK-Continent express airfreight services with a two-way service between the

UK and West Germany started in 1982.

Since then, both Speedbird Express and C and D door-to-door operations have been expanded to include services all over the world. Speedbird Express, for example, offers connections from the UK to more than 20 countries. Now efforts are being concentrated on developing return services from the same countries and integrating the whole operation so that each point in the system is connected to all the others.

Asked how the Speedbird Express operation compared with express road services in the UK/Continent market, BA cargo executive David Paterson said that as far as transit times were concerned, Speedbird was probably about the same city-to-city as the road competition.

"As for tariffs, we are perhaps more expensive in some instances but there again we are cheaper on others—it depends very much on the market and the type of service people want to buy."

"Our main selling point as far as Northern European markets are concerned is that our service is fast and reliable. A shipper can simply pick up the printed tariff and see at a glance what it is going to cost to move something from anywhere in the UK to any point covered by the Speedbird Express service."

Overall, the trend among airlines now seems very much towards offering full door-to-door express services. A number which first moved into the express sector by offering just airport-to-airport operations has since opted to expand the scope of services, no doubt to compete with door-to-door road operators.

Froch national carrier Air France, for instance, launched an airport-to-airport service last year on all its direct international flights in and out of France. Since then it has extended that operation to include the possibility of customs clearance and onward delivery to consignees anywhere in France, effectively offering an airport-to-door service for French import traffic, and as far as the UK is concerned now looks on the point of introducing full door-to-door facilities.

While Air France, BA, Lufthansa and others have looked to develop European/worldwide express air freight service using established scheduled flights, Scandinavian Airlines System has opted to set up a special operation for

door-to-door overnight movements between the UK/North Continent and Scandinavia.

Similarly, the carrier uses overnight freight flights from principal continental airports into Copenhagen, Denmark to provide the air connection. Within the next two to three months it is planned to establish a continental bus operation at Cologne, West Germany, which will act as the focal point for trucking and air links throughout Northern Europe. Cologne will in turn be connected to major Scandinavian centres by freighter flights.

In conjunction with operational developments, SAS has in recent months been building up its sales and management team dedicated to the door-to-door overnight product.

"We are organising ourselves in SAS more or less in a way that is sales and operation of the door-to-door services will be almost like an individual company with its own sales people and management," commented the vice-president of cargo for SAS, Mats Mitzell.

While the airlines and the express road operators have been battling away to build up UK/Continent/Scandinavian express freight business, other specialist companies have also appeared on the scene, often using air links to provide the main long-haul connections.

Dutch-based freight forwarder Pandair, for example, offers a 24-hour door-to-door service between major centres in the UK, Benelux countries,

Northern Germany and France, with other parts of Europe covered on a 48-hour basis under the name Panalink (Pandair Aerolink). For the UK/Continent connection Pandair works with British Midland's Airways which operates overnight flights between England's East Midlands Airport and Brussels in Belgium.

Other express service operators using air connections between the UK and the Continent include the IML subsidiary Elan with overnight flights linking Ireland, the UK and its continental hub at Cologne, West Germany, with Brussels due to be added shortly; and XP Express Parcel Systems with freighter flights from Luton and Birmingham to Maastricht in Holland.

Quicken pace

Sensing the quickening pace of express service developments within the European domestic and international markets, a number of major U.S. companies have been moving in.

Emery Worldwide, for example, is now working with XP Express for the collection/delivery of its European courier/express parcels traffic while Federal Express has entered into an agreement with the UK domestic express company Lex Wilkinson for UK delivery Lex.

Most recently of all, United Parcel Service has just announced that it has got together

with forwarder Atlas Air to set up a service partner in the UK to handle collections, delivery and returns for the new transatlantic parcels and documents service starting on October 7.

Basically, the new operation, to be known as UPS/Atlas Air Parcel, will be offering a two-way door-to-door service between the UK and the U.S.

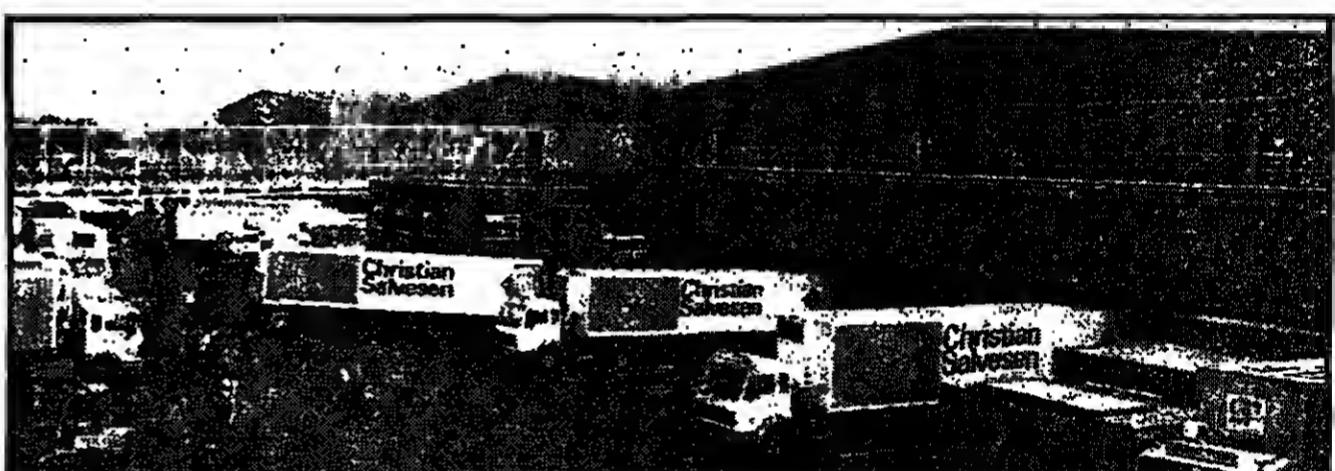
Initially north-eastern U.S. states will be covered but the plan is to add the rest of the country fairly rapidly over the following few weeks.

Similar service partnerships have been established by UPS in France and the Benelux countries while West Germany will be covered by its own personnel.

According to one industry observer, Mr Andrew Walters, the managing director of international courier company IML Air Couriers, the increased presence of American express service specialists could in fact help further educate European shippers/customers about the benefits of using such systems.

The American organisations were arriving in the European market at a time of change and "with a lot of bucks."

"Those guys could market the hell out of European companies and because of that a lot of European forwarders and airlines could end up reeling from lost business," commented Mr. Walters. "However, the arrival of Federal Express and company will expand the European market and generate more business overall."



Temperature-controlled vehicles at a Christian Salvesen depot. New vehicles are changing the industry's distribution patterns

Exercises in cutting costs

Transport hardware

ALAN BUNTING

UNDoubtedly THE greatest changes in physical distribution in the last decade have been organisational, with computer control exerting more and more influence while responsibility for product movement has shifted steadily from supplier to retailer.

Such changes have necessarily brought improvements in the utilisation of transport equipment. Vehicle standing time has been reduced and utilisation of trucks and vans on-the-move is now well established.

To raise the productivity of vehicles, and crucially, their drivers has been a prime aim of distribution management teams. The average load capacity, in weight and volume terms, of vehicles delivering to High Street retailers has risen. New purpose-built shopping precincts provide clearer access to rear loading bays.

It is no longer unusual to see 50 ft long articulated trucks delivering to supermarkets. There is space for them to manoeuvre and with roll-pallets used in conjunction with tail-lifts they can often make their deliveries and be away in 15 to 20 minutes.

Development of small side-lifts and part-width tail-lifts in the last year or two has helped make vehicles more flexible. Unigate Chilled Distribution on its latest 18-tonne twin-axle, controlled-temperature vehicles has specified a precisely dimensioned load space with carefully positioned door openings.

The body can be loaded using either 10 traditional 48 in by 30 in timber pallets in two longitudinal rows, or 21 of JCD's own design of castor-wheel mounted roll-cages in

three rows; or various combinations of the two pallet types. Each vehicle's Ratelift tail-lift has a dual-width fold-over platform to suit either size pallet.

Speedier turnaround at both loading and delivery points has long been the aim of distribution managers. Tail-lifts, forklifts, lorries and cranes and more elaborate handling equipment like the clever "walking floor" installed from the United States, which is now available here, enable goods to be off-loaded more rapidly.

Demountable or "swap" bodies achieve a similar end. The chassis and driver can be out on the road making deliveries with one body aboard while a second body remains at the depot being loaded. This classic application of demountables is now well established.

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Environmental considerations are a further incentive to adopt "split-trunk" procedures, using interchangeable bodies. The technique avoids large articulated or tractor-trailer combinations having to go right into city centres to deliver.

Carrying two interchangeable bodies offers the additional possibility of unhooking the trailer and using the drawing vehicle "solo." It can then make two town delivery runs after a long trunk run from its base, the trailer being left in a lorry park or other secure location while delivery drops are made.

Bans on heavy lorries in urban areas, imposed by environment-conscious authorities, notably the Greater London Council and increasingly by provincial cities such as St Albans, are compelling many distributors to re-think their operations.

In some instances companies geared to the use of their own heavy trucks are faced with having to contract-out their distribution work to professional carriers whose fleets include lighter smaller vehicles. A

switching to a split-trunk transmissible body system is a viable alternative, which not only enables the company to retain its own vehicle fleet but also reduces the chassis inventory. The savings made in chassis and drivers employed and quite possibly in regional warehousing, can cover the cost of the auxiliary equipment needed for vehicle bodies to be interchanged between long-haul trunks and city delivery casses.

Doors and shutters on the swap bodies can remain locked, so that petty pilfering is eliminated.

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ELAN
The Overnight Delivery System

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Distribution Services 5

Fierce competition to attract new business

A MAJOR feature of the UK domestic distribution scene over the last few years has been the rapid expansion of express freight/parcels services.

Even now, hardly a week goes by without some new service being announced involving same-day, next-day or two/three-day door-to-door delivery operations. In a still relatively young and turbulent market, service innovations have been coming thick and fast, ie the fierce battle among operators to attract and hold new business.

For customers, the rapid growth of express services has opened up a wide range of options for getting goods from one part of the UK to another extremely quickly. On the negative side, such rapid expansion has also led to considerable product confusion and a degree of scepticism—sometimes justified—about the ability of certain operators to match consistently performance with marketing claims.

As for the operators themselves, the fierce level of competition which has resulted from the rapid build-up of services on offer has led to substantial rate-cutting, particularly for largewvolume customers, and in some cases fairly heavy trading losses.

Even the powerful and generally successful National Freight Consortium has had problems with its express freight/parcels business—the NFC Parcels Group, comprising Roadline and National Carriers Parcels, last year recorded an £8.7m gross trading loss.

The major sectors of the group suffered from severe over-capacity and competition in the market place which reduced volumes and depressed prices," said the NFC in its directors' report for the year.

Because of the losses and the cash drain which the Parcels Group is placing upon the Consortium, the future of this group is under review.

Faced with that sort of "shape up or ship out" warning, Roadline in fact underwent some dramatic changes during the first part of this year, including 900 redundancies to bring the total workforce down to about 2,500.

"We have probably now reached the stage where the major changes necessary have been made and we are now moving on looking more seriously at future financing." We must, however, become a profitable company within 12 months," commented Roadline's managing director, Mr Graham Roberts.

To back up that apparent optimism, Roadline earlier this year invested in more than 80 new "truck units" at around £25,000 a time, with the promise of more investment to come.

Whether Roadline will achieve its aim of profitability in the near future remains to be seen.

Response to greater pressures

Contracting out

PHILLIP HASTINGS

MANUFACTURERS and retailers alike are opting increasingly to contract out many of their distribution operations to third party specialists.

On the manufacturing side, many suppliers of fast-moving consumer goods are finding that with their own distribution operations put under increasing pressure by the needs of major retail organisations, they can more easily respond to new situations by using third party distribution facilities.

In some cases, this involves moving out of owned-fleet operations into some form of contract hire arrangement. Effectively, this gives the client company the chance to restructure and run its transport fleet without injecting vast new capital investment, but still retain full control over the operation of vehicles.

In other instances, manufacturers and suppliers are handing over distribution of their products to third party transport operators. This trend has been boosted in recent years by the development of a wide range of specialised services, for example, caring for fragile goods, frozen/temperature-controlled products, as well as the more general consolidation services operated by companies such as Lowfield, SPD and so on.

Increasingly, though, the pattern of distribution appears to be moving on to another stage in the evolution of third party services—the development of total contract distribution packages.

Again, much of the impetus for this development has come from the retail side. A number of the major multiple retailers in the last few years have been using their buying power to instruct suppliers to send their goods via a nominated carrier who consolidates deliveries from a large number of sources into a single drop to the high street cutter.

Suppliers deliver direct to the supermarket's central warehouse and the individual high

The state of the market in general and rates in particular suggests that the NFC company and most others in the field still face a stiff challenge in terms of establishing profitable operations.

The basic problem is that of rate levels, with published tariffs often cut substantially in the battle for business. Now, believe some operators, the point has been reached where rates in general will have to go up. That, certainly, is the belief of the market leaders in the UK express services field, TNT (Thomas Nationwide Transport), which claims its own policy has been to charge "realistic" rates.

"I would not be surprised if some of the other carriers were forced to raise prices, particularly to major customers, by 15-25 per cent. Some will have to increase rates by that sort of amount to meet inflation and recover ground lost over the last couple of years," Mr James Wilson, the general manager for TNT Express Services, said.

Express freight and parcels

PHILLIP HASTINGS

He added that the trend would probably be for larger customers to face the biggest increases as that was the area where many service operators claimed they were not making any money because of the discounts which had been offered for volume business.

Smaller users might find their rates going up by a little more than inflation, say 10 per cent if the inflation figure was about six per cent.

Other express service operators are less convinced that efforts to push up rates will succeed. Several said that even if published tariffs were increased, competitive pressure would probably force down rates charged again particularly for volume business to around current levels or even below.

Speaking about the present state of the market in general, one senior executive of a service operator said that there was in fact no much discounting going on at present that it was very difficult to know what customers were being charged.

Despite the talk of rates increasing, there has been no real evidence yet of that happening—if anything, recent evidence suggests the opposite with rates still being slashed." said Europe, Tony Harris the managing director of UK domestic and European express freight service operator.

"Looking at the future for the domestic market in the UK, I question whether rates are really going to widen in the foreseeable future. I cannot

see that premises are serviced solely by dedicated transport from the warehouse.

Faced with operating such large and sophisticated distribution systems, retailers and in turn the suppliers are now often looking to hand over such activities to outside specialists.

Evidence of that and other recent trends in UK distribution comes from the Road Transport and Storage Division of Mitchell-Cotts Transportation (UK), which claims to be number two in the contract hire/contract distribution field after the various National Freight Consortiums.

According to Mr. Malcolm Burrell, sales and marketing director, about 70 per cent of the company's 2,000 vehicles are employed on contract hire basis, with or without drivers supplied, 20 per cent on contract distribution and 10 per cent on contract hire for local authorities.

The contract distribution side is definitely increasing at the moment and we envisage it continuing to do so. Over the next few years I can see the make-up of our business changing to perhaps 50 per cent contract hire, 30 per cent contract distribution and 20 per cent local authority."

To explain the meaning of the term contract distribution Mr. Burrell says that Mitchell-Cotts could accept products from the point of manufacture, truck them to a warehouse or group of warehouses which might be owned by the client, Mitchell-Cotts or a combination of the two, store the goods, pick them, produce a distribution plan and execute that plan, as well as taking care of stock control.

"Our experience so far this year certainly suggests that is what people are looking for, both manufacturers/applications and retailers." Mr. Burrell says.

In the food sector, distribution tends to be controlled by the big retail multiples, but in other sectors our experience is that the demand for distribution is coming from the manufacturers who are looking for a bolt-on system to fit their existing manufacturing processes."

Supporting this view, Mr

Mark Skipwith, managing director of the food distribution specialist, Lowfield, says the company is currently involved in such work for Sainsbury in the North of England and Tesco in the London area. "We see ourselves doing more of that type of operation and this is where we see the future of our business."

While initial growth in the contract distribution field has tended to come from the retail side, he feels the concept will spread to other sectors. Among those likely to show an interest are importers who could band over the whole UK distribution of particular products to one distribution company.

Interestingly, some suppliers have tried to capitalise on established transport operations by developing their own third party distribution work again with a view to attracting contract distribution type of business.

For example, Tate and Lyle, the sugar processing company, reorganised its transport operations earlier this year to form Tate and Lyle Distribution Services.

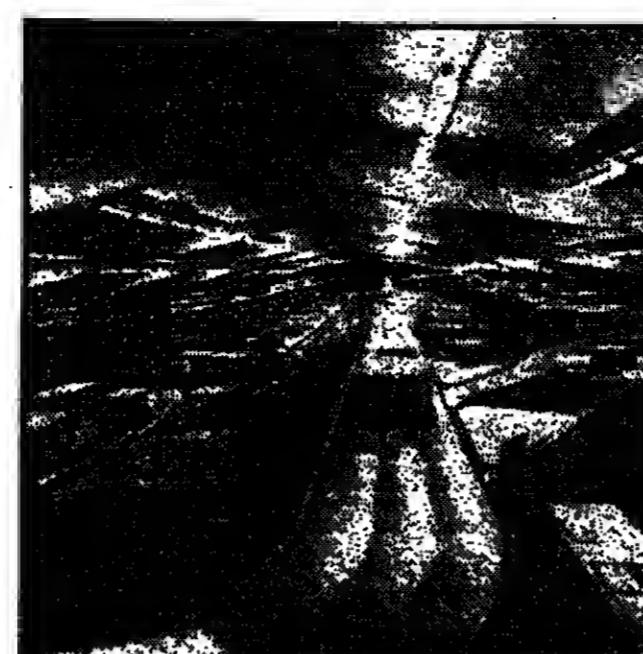
The company basically comprises three divisions—packed products, bulk products and contracts. The first two are primarily concerned with the distribution of Tate and Lyle's own products but the third is now looking for outside work.

Mr. Tony Stanton, managing director of Tate and Lyle Distribution Services, says the company is now looking to expand in any areas of distribution where it can bring its experience and expertise to bear.

At the same time, the company wants to move up the technology market, looking to secure contracts where it could introduce more sophisticated distribution systems.

One of the UK's leading contract distribution companies, National Carriers Contract Services, believes such a trend is closely linked with more general acceptance of the overall concept of physical distribution management (PDM).

In simplified terms, a PDM system means that responsibility can begin even before the point of manufacture. It can include any physical movement, storage and distribution of raw



PROFILE: NFC

By PHILLIP HASTINGS

Strength of £100m group

A MAJOR "new" name in UK domestic distribution formally comes into existence this month.

The NFC Distribution Group, part of the Bedford-based National Freight Consortium, has been formed basically by merging the activities of the high street distribution specialist SPD, acquired from Unilever at the beginning of this year, with those of the consortium's own established BRS Distribution operation.

Together, the various elements now form a group with an annual turnover of £100m, factories which include 100,000 sq ft of warehousing space, a fleet of 1,400 or more vehicles and a total staff of 4,000.

Included in the group are two principal divisions, one specialising in common user services and the other in contract distribution.

The common user or shared service company, now operating under the name SPD, comprises the relevant activities of the former SPD Group and those of BRS Distribution. The company's main aim is to handle the distribution of fast-moving consumer goods together with business-to-business movements of industrial products.

"Every year, more than 2m deliveries are made to 125,000 retailers, wholesale, industrial locations and institutions on behalf of clients like Whitbread, Van den Berghe, Elida Gibbs and Scottish Breweries, and Newcastle Breweries," says a spokesman for SPD.

To operate the main trunking connections of Securi-link, Securicor has established 12 basic route linking major centres such as Edinburgh, Glasgow, Manchester, Birmingham and London. These centres in turn are connected with Securicor's network of security centres around the UK and the near

one integrated EEC market continuous—the latest White Paper on the subject produced by the European Commission included a timetable designed to achieve that objective by 1992—so domestic/European services are likely to become more integrated.

Many UK domestic operators already have strong connections with European and other international markets and those which have not are in many cases now looking to develop such connections.

Domestic parcels carrier ANC, for example, is shortly planning to launch 48-hour delivery services between the UK and four continental countries—Holland, Belgium, France and West Germany. That follows the start last month of express freight services between the UK and Euro.

Such is the pace of ANC's development that having recently moved its headquarters and domestic hub operation to a new 12-acre site at Stoke-on-Trent, the company is already thinking of developing further pre-built premises for occupation in two to three years time.



Richard Lovell: rationalisation is almost completed.

London and the Home Counties.

Rationalisation is now pretty well completed, leaving the group with about 26 depots to service the common user side, 11 for contract distribution operations, five for Carrycare and five for GDS. Carrycare also shares some facilities with SPD common user operations.

"Overall, the NFC Distribution Group is now by far the largest distribution operator in the country," Mr Lovell claims.

Commenting on the current make-up of business for the new NFC group, Mr Lovell said that while contract distribution at present accounts for about a third of the annual turnover, they would be looking for this share to increase to something like 45 per cent over the next three years within a generally increased turnover.

"We would expect to see more common user business as well because while more traffic is being dragged into retailer-controlled distribution systems, a decline in manufacturers' own account distribution should mean additional traffic being funnelled into third party common user services," Mr Lovell says.

In tailor-made distribution, it's the cut that counts.

Distribution is never the same for any two companies. You may have a single warehousing/stockholding problem or you might feel that it's time for a completely new distribution system from warehousing to retail delivery. What you need is a tailor-made service designing a system to the individual client's needs.

In the case of Whitbread, for example, SPD has developed a distribution operation called Bar Delivery Services—BDS is responsible for the distribution of all Whitbread's products to some

3,500 pubs, bars and clubs in

the UK.

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When NCCS was set up three years ago, annual turnover was £17m—by the year ending September 1985 it is going to be in the region of £25m," he says.

As far as future business is concerned, NCCS estimates that there are about 7,000 potential

contract distribution customers but the third is now looking for outside work.

Interestingly, some suppliers have tried to capitalise on established transport operations by developing their own third party distribution work again with a view to attracting contract distribution type of business.

For example, Tate and Lyle, the sugar processing company, reorganised its transport operations earlier this year to form Tate and Lyle Distribution Services.

The company basically comprises three divisions—packed products, bulk products and contracts. The first two are primarily concerned with the distribution of Tate and Lyle's own products but the third is now looking for outside work.

Mr. Tony Stanton, managing director of Tate and Lyle Distribution Services, says the company is now looking to expand in any areas of distribution

where it can bring its experience and expertise to bear.

At the same time, the company wants to move up the technology market, looking to secure contracts where it could introduce more sophisticated distribution systems.

One of the UK's leading contract distribution companies, National Carriers Contract Services, believes such a trend is closely linked with more general acceptance of the overall concept of physical distribution management (PDM).

In simplified terms, a PDM system means that responsibility can begin even before the point of manufacture. It can include any physical movement, storage and distribution of raw

products.

"As a result, dedicated contracts tend not to move around very much," says Lowfield's Mark Skipwith.

However, such are the complexities of present-day distribution systems that the need for customers and contract distribution companies to work closely together means contracts to be for a minimum of five years. Distributors stress the need to establish a real partnership with their clients.

"As a result, dedicated contracts tend not to move around very much," says Lowfield's Mark Skipwith.

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NATIONAL CARRIERS

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Tuesday October 1 1985

Mulroney leads from behind

MR BRIAN MULRONEY, the Canadian Prime Minister, has proved far more cautious in power than might have been expected from the undertakings freely made in his election campaign a year ago that he would bring far-reaching change to his country. Mr Mulroney's announcement that he will seek a comprehensive trade agreement with the U.S. was no exception.

Initially it had looked as though Mr Mulroney might ask for a fully fledged free trade agreement, at the risk of infuriating Canada's vocal nationalists. As Ottawa studied the options the words "free trade" were dropped from the official vocabulary. When Mr Mulroney finally decided to announce his intention of seeking negotiations with Washington he spoke merely of a trade agreement and left out the word "free."

That may have been sound tactics on the Prime Minister's part. He may not wish to stir up opposition earlier than necessary. Though his majority is safe and the next election three to four years away, he has been preoccupied with the image of his Government. Leadership has often been seen from behind. Yet Mr Mulroney must know that if he is to grasp the nettle and opt for a free trade agreement with the U.S. he will have to give leadership of positive value sooner rather than later.

For the moment his prevarication is understandable. His Government has been going through a bad patch. Other ministers have had to resign because of internal Canadian matters; and the first Canadian bank failure in more than 60 years, small though it was, has cast doubts on the efficacy of the supervisory system.

Energy exports

It is not the best background against which to break with more than a century of Canadian history, for that is what a free trade agreement would amount to.

The argument between economic nationalists and the so-called continentalists, who want to throw in Canada's lot with the U.S., is as old as Canada itself but through most of the country's history the continentalists have not bad things their way.

Their case has been greatly strengthened by long term trends that have emerged in the



How Moscow sees the world

By Patrick Cockburn in Moscow

MR Mikhail Gorbachev's visit to Paris— which starts tomorrow — gives fresh impetus to one of the most sustained Soviet diplomatic offensives since the war. It will culminate in the summit meeting with President Reagan in Geneva next month.

Discussions between Washington and Moscow on disarmament suddenly have a greater air of seriousness, if not of optimism, than at any time since 1980.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, outlined to President Reagan last Friday Soviet proposals for 50 per cent cuts in nuclear arsenals of both super powers. And Mr George Shultz, the U.S. Secretary of State, said the U.S. proposals which were being presented by Soviet negotiators in Geneva yesterday and today, could lead to genuine negotiations.

Both sides are going out of their way to look conciliatory but the Soviet Union is now taking the initiative to negotiate not seen under President Brezhnev. Does this change in style denote a change in substance? That is to say which Soviet foreign policy is conducted has changed radically since Mr Gorbachev came to power six months ago and more particularly since he made Mr Shevardnadze his Foreign Minister. The tone of voice in Moscow today is more energetic and reactions faster than during Mr Andrei Gromyko's 28 years as Foreign Minister.

The appeal is now to public opinion in the U.S. and Western Europe as much as to President Reagan and President Mitterrand. This is in contrast to the prolonged, secretive negotiations on arms limitation that carried out by Mr Gromyko in the 1970s.

Mr Gorbachev's style is more flexible and less reactive than under President Brezhnev. He is quicker to seize the initiative, also more confident and, in some ways, tougher than the old regime.

The new generation of Soviet leaders take their country's super power status more for

granted than their predecessors and they are resolute to assert their claims to visible political and military superiority. Hence the publication of 31 Soviet officials from London for espionage last month was met with immediate retaliation with a similar number of British evicted from Moscow.

Yet the substance of Soviet foreign policy remains much as it was at the end of last year when President Chernenko decided to resume talks with the U.S. distrust of President Reagan and all his works remains high. Officials in Moscow are pessimistic about the prospects for an actual "agreement" on arms limitation. The plan of attack has increased with the anti-satellite test by the U.S. last month and the handline speeches by senior members of the Administration.

The Soviet offer of cuts in offensive missiles proffered by Mr Shevardnadze, with equivalents to be made in the U.S. nuclear arsenal, depend on American agreement effectively to abandon the Strategic Defence Initiative—Star Wars programme. This President Reagan has said he will not do.

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the symbol. "I have heard nothing except the letters SDI all day," complained an American visitor to Moscow last week after a day talking to senior political and scientific figures.

It is not that the Soviets believe that Star Wars can ever achieve its avowed aim of a nuclear umbrella for the United States as a whole. What the Soviet scientists do see, says a former U.S. diplomat, is an American lead in developing a "partially effective defence that, while not protection against the full force of a first strike, might be considered adequate against a rugged retaliatory strike." This is a Soviet "worst case"

analysis, would give the U.S. a first strike capacity for the first time since the 1960s.

Unless either Moscow or Washington radically changes its position on Star Wars, there is no chance of an agreement at the Geneva summit, but this prospect has not produced as much pessimism among senior Soviet officials as it would during President Reagan's first administration. "They feel much better balanced than they did a year ago," said a Western diplomat here.

The Soviets see the basis for political dialogue with the U.S. as the partial decommissioning of nuclear missiles they achieved in the late 1960s. No speech or newspaper article on the topic in Moscow today is complete without the accusation that Washington wants to regain this superiority and, by giving the military edge, to transform this into a war winning capacity.

The main reason for this is the succession of Mr Gorbachev in March after almost ten years of inflexible leadership under Presidents Brezhnev, Andropov and Chernenko. This ends a long period when statements from the Kremlin were examined by diplomats in Moscow more as medical bulletins than declarations of policy.

But the greater confidence of Soviet leaders is not only relief that this can be done easily but it does believe that the U.S. might get stuck in certain key high technology areas, and for this SDI—Star Wars has become

more found that his confrontational attitude, the ideological fervour of his speech denouncing the Soviet Union as an evil empire, does not necessarily mean a confrontational policy.

President Reagan's attitudes have translated into higher military spending and military rhetoric. They have not, however, produced notably more combative U.S. policies in three other areas of super-power competition: Western Europe, the Third World and China.

Moscow does not expect a strategic change to its advantage in any of these areas in the immediate future but it does believe that its position is

those links would be unbroken.

These changes are still small scale. The main thrust of Soviet policy in the Third World is consolidation of links with traditional allies such as India.

It is also marked by surprising moves in direct conflict with the U.S. commanded, for instance, to the early 1970s when detente was supposedly at its peak.

The most serious problem for the Soviets in their foreign policy is the weakness of the domestic economy and the economic threat created by the need to spend more money to keep up with the U.S. defence efforts. Mr Shevardnadze went out of his way addressing the UN in New York last week to say that the Soviet economy would not collapse under the strain of trying to keep military parity with the U.S.

Yet the fact that Soviet leaders so frequently assert that defence will get what it needs underlies the problem that allocation of a higher proportion of national income for defence will cause. The abrupt dismissal of Marshal Nikolai Ogarkov, the Soviet Chief of Staff, last year appears to be linked to his advocacy of the re-equipping of the Soviet armed forces with high technology weapons.

The weakness of the economy and it was the pressing need to reform the way in which it is run which elevated Mr Gorbachev to power — also hits Soviet foreign policy in two other respects.

Low growth in the Soviet Union has repercussions on Eastern Europe. It limits the level of subsidies Moscow can afford. This increases the danger that, as in Poland in 1980, economic failure will provoke a political explosion.

Second, Soviet foreign policy is not merely the exercise of Soviet authority as a great power. It also builds up the Soviet Union as an exemplar to the rest of the world. The economic failures since 1970 make this role impossible to sustain with any credibility and it is this, more than anything President Reagan can do, which has weakened the Soviet Union's influence in the world over the past 15 years.

The most serious problem for Soviet foreign policy is the weakness of the domestic economy

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In Western Europe the Strategic Defence Initiative has provided diplomatic opportunities as well as posing a military threat to the Soviet Union. France has opted out of the scheme while Britain and West Germany, initially expressing doubts, have joined the research phase. In Paris, Mr Gorbachev will try to increase the warmth of the continuing detente with Western Europe but there are limits to what the Soviets believe they can achieve.

Soviet hopes that West European governments will pursue different policies from Washington are less now than they were in 1982 before the installation of cruise and Pershing II missiles.

In recent weeks senior Soviet commentators have gone out of their way to disavow any attempt to split West European governments from the U.S. The social and class interests linking Western Europe to its Transatlantic ally are so strong and constant that to build a policy on the basis of wrecking

Japan seems to be coming out of the cold storage to which Mr Gromyko had consigned it over the past 20 years.

In other parts of the Third World there are also some signs of real change. In the Middle East there is slightly more warmth towards Israel and in the Gulf's better understanding with Saudi Arabia and the Arab oil states.

Spending drama in five acts

THE BRITISH Cabinet meets on Thursday to give its final agreement to the principal piece of economic entertainment which traditionally fills the void between party conferences and the return of parliament.

As in previous years, ministers are devising new and ingenious acts, charades, and feasts of conjuring to be performed in the Public Expenditure Star Chamber which has given a new twist to the PEFC acronym. Spending ministers wait until more departments each next year may make this case before a tribunal of colleagues chaired by Viscount Whitchurch. Last year, after a particularly arduous performance, he indicated his wish to leave this particular stage because the scripts and the performances had become unbearable. But he has been tempest back into the limelight.

The Star Chamber performance is the third of five acts. The play begins in February with the publication of the public expenditure white paper and a solemn declaration of support for the planning totals for the following three years by the entire Cabinet.

Solemn support

During the summer (act two) these same ministers redraft their sums and somehow manage between them to be claiming on extra £5bn or so of expenditure. Much of this is in frivolous bidding which is later to be conceded in return for the survival of a few prized items. This next bargaining phase takes place during the tenses interval. Ministers and their officials queue up for bilateral meetings over tea and biscuits with the Treasury. Chief Secretary, appointed for his ability to smile, juggle and throw knives at the same time. This process, accompanied by some sleight of hand with vital stage props such as the contingency reserve and asset sales, disposes of much of the excess bidding. So, the £5bn overbidding on the £139bn target for 1986-87 is now down to just over £1bn.

This week's Cabinet will authorise the third act, and Lord Whitelaw will set up his Star Chamber. The performance of ministers appearing before it are said to range from bathos to bathos. Some of the issues by this stage are extremely important and can

Maxwell's full house

Hanish Maxwell, aged 59, the Liverpool-born chairman of Philip Morris has only held the top job at America's number one cigarette-maker for just over a year.

Nevertheless, he has already made a major impact upon the company whose Marlboro brand has been the world's most popular cigarette for just over a year.

His \$5.8bn acquisition of General Foods (America's biggest food company and incidentally the producer of Maxwell House coffee) has transformed one of the world's strongest tobacco companies into a group which is now probably bigger than such European multinationals as Unilever and Bat.

Maxwell, whose father was in charge of tobacco rationing in Britain during World War Two, has been described as a metronome which does not shy away from hard choices.

He has served in the Royal Air Force he went to Cambridge before emigrating to America where he joined Philip Morris as a salesman in Richmond, Virginia, in 1954.

By 1963 he was director of marketing of Philip Morris International. He made his name by expanding the group's international business dramatically, a task he did not shirk.

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Men and Matters

With a membership of 16,000 companies and unions, the Society, which was founded in 1919, has had a remarkable year of growth with revenue over £7m, double that of three years ago. It is now extending its services into small businesses like estate agents, and into professional firms, like solicitors.

The Society's all-embracing activity is summarised by a pair of clasped hands holding a cog and a coin symbolising the work of industry and the City.

Dr Trevor Langley, managing director of Imperial Biotech, a company part of the Imperial College in London, believes he has found a way of halving the time it takes to age the best Cheddar.

It depends on a cocktail of enzymes isolated by the Food Research Institute at Reading University.

Dr Langley says the method won "a very good response" from a consumer trial where cheese blocks failed to melt quickly between Cheddar aged for six months and Cheddar aged with his microbes which had been working towards a new grout top management structure.

He is also providing a seal on the board for Derek Whitaker who joined the group last February after a career with Ford, GEC, British Leyland, and as chairman and chief executive of Rockware Glass.

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Letters to the Editor

United States' trade deficit

From Professor I. Pearce
Sir—I would be difficult to accumulate more assets than liabilities.

Of course, it must be true that if, at each moment of time, the U.S. is successfully buying more than the value of its production, at given prices, then the rest of the world must be buying less than the value of its production. But this does not imply that the rest of the world is spending less than its income. Indeed, it is likely to be spending more in money terms than is sufficient to buy the goods and services available after U.S. demand has been satisfied. Foreign prices measured in local currencies are likely to be continuously rising. The U.S. trade deficit can, and probably does, generate inflation throughout the rest of the world sufficient to release the merchandise it is demanding without any act of saving or even consciousness of saving on the part of any individual or institution. Trade surpluses need have nothing whatever to do with the item "saving" acceptable to a reasonable person; nor can it be given even the appearance of truth by definition except by a form of arithmetic which solves the problems of inflation accounting by ignoring them.

When the U.S. imports more than it exports, the difference is ordinarily paid for in U.S. dollars, which are readily, indeed eagerly, accepted anywhere in the world. The first consequence, therefore, of a U.S. trade deficit must be a growth in foreign-owned (usually foreign-bank-owned) deposits in U.S. banks transferred from the accounts of U.S. importers. But this does not mean that U.S. residents are increasing their net debt, for the growth in liabilities of foreign banks is exactly matched by diminution in their liabilities to importers. No individual or institution in the U.S. need be borrowing in the sense of increasing his (or its) net liabilities just because of the trade deficit. Nor would any U.S. resident think for one moment of borrowing or buying foreign currency to pay for imports as long as dollars remain universally acceptable.

Conversely, foreign exporters of merchandise to U.S. must be paid in local currency by their own banks which receive dollars on their behalf. They need not save. The non-U.S. banking system will, of course, be acquiring dollar-denominated assets but it will be incurring at the same time corresponding liabilities in the form of demand deposits in local currencies, created to pay exporters. Banks do not save. Their net acquisition of assets is ordinarily zero. No single person or institution in the non-U.S. world need be saving in the sense that he (or it) is.

Defence equipment buying

From Mr R. H. W. Bullock
Sir—I should like to lend strong support to Mr Charrington's criticism (September 25) of Dr Keith Hartley's naïve advocacy of more British purchases of defence equipment.

Foreign equipment, inevitably means foreign electronic components; despite many statements of good intentions, it has been made almost impossible in practice for UK firms to get sub-contracts from the Trident programme, despite big foreign purchase order.

Has Dr Hartley, as defence economist of the York Institute for Research and Social Affairs,

Real wages and employment

From Mr J. Symons

Of course, it must be true that if, at each moment of time, the U.S. is successfully buying more than the value of its production, at given prices, then the rest of the world must be buying less than the value of its production. But this does not imply that the rest of the world is spending less than its income. Indeed, it is likely to be spending more in money terms than is sufficient to buy the goods and services available after U.S. demand has been satisfied. Foreign prices measured in local currencies are likely to be continuously rising. The U.S. trade deficit can, and probably does, generate inflation throughout the rest of the world sufficient to release the merchandise it is demanding without any act of saving or even consciousness of saving on the part of any individual or institution. Trade surpluses need have nothing whatever to do with the item "saving" entered in national accounts.

At this point the reader might well ask "so what?" even though it would hardly be true that increases in the real wage could draw more people into the labour force so as to increase employment rate. But I do not study this; rather study the relationship



Union warfare in the banks

From the General Secretary, Bank of England Staff Organization

Sir—We are disappointed at the breakdown in the merger talks between IFU (Banking, Insurance and Finance Union) and CBU (Clearing Bank Union).

Managers and staff throughout banking perceive job cuts, automation, and moribund career prospects as facts of life. A hard market has produced more non-union, non-banking competition. It is absurd to ignore the effects of this volatility on pay bargaining. Furthermore, the dead hand of the Government is increasingly close to pay negotiations both in the clearing banks and the central bank.

Divided staff representation is simply out of date. A widespread consultative ballot on producing terms for a single union is urgently needed. This would be more constructive than internecine union warfare in the banks (September 20). Ray Shuttleworth

49 Queen Victoria Street, EC4

Liverpool and the Government

From Mr Stephen Makin

Sir—Your leader writer (The militants of Liverpool, September 25) appears to avoid the important issue raised by the crisis in that city. The important thing to understand, he says, is that "solutions exist and the power to implement them rests—rightly—in the hands of the council leaders."

It is true that the council leaders do have the power to implement certain solutions. In general, someone has the power to do something just so long as they can do it. It is equally true that such power rests in the hands of council Government, who could solve Liverpool's problems if they so wished.

Plainly the power to solve the city's problems rests in the hands of anyone with sufficient money to enable the council to put into practice the policies on which it was elected.

The point infinitesimal your leader writer lies elsewhere. It is plain to his view that the council has a duty to solve the

The reform of pensions

From Mr W. Melhuish
Sir—I totally disagree with Michael Prowse's article on Pensions Reform (September 20).

What Mr Prowse's argument amounts to is that Mr Fowler has gone too far; I believe he has not gone far enough. It seems to me that great benefits could be obtained, economic and political, from any political if not operational pension schemes becoming a thing of the past. This should apply both to the public and the private sector. Existing rights would, of course, be preserved but future pay would be increased to compensate for the abolition of occupational pension schemes.

Each person would then take out his own personal pension suited to his own requirements. Those with large families and/or mortgages would no doubt make less immediate provision, catching up later when commitments became less. There is already considerable scope for this within the existing "self-employed" pension rules.

I do not believe the arguments about bipartisanship support being exaggerated. What about owner-occupation? Not many years ago the Labour Party opposed this. Now bi-partisan support has arrived. Personal pensions may well be similar.

The ownership of ones home brought great benefits, not least to the party which advocated it. Personal pensions could be increased (re the Help the Aged argument) but these are details not relevant to the main argument.

The trouble is that the professionals are almost the only ones who understand these matters and are guided by their own special interests.

W. A. Melhuish
45, Sutton Road, Seaford, Sussex

Crypto-imperialism of old

From the Chairman, Commission for Racial Equality
Sir—You report (September 26) Mr Powell as suggesting that international aid was a form of "crypto-imperialism" which denied others the "right

to go to the devil in one's own way."

I suppose that makes the Good Samaritan the best-publicised crypto-imperialist of all time. And Mr Powell has a part to play in the parable too.

Peter Newell
10-12 Arlington Street, SW1

The Downing Street Policy Unit

In the Thatcher mould

By Peter Riddell, Political Editor



Mr John Redwood (left) and Professor Brian Griffiths

WHEN Prof Brian Griffiths, of the City University Business School, becomes head of the Downing Street Policy Unit later this month, he will be taking over the vanguard of Thatcherism in Whitehall. Over the past two years the unit has been the cutting edge of the Government's radicalism—providing ideas for the Prime Minister and assisting her ministerial allies.

Ministers and officials always want to know what the unit is thinking, and doing, not least as an indication of how Mrs Thatcher herself is likely to react when a matter comes up before a Cabinet committee. It is now a factor to be reckoned with, even though its recent record of success has been

between employment and the wage. My table has caused confusion. It was intended to demonstrate that the successful economies are precisely those which significantly reduce the real wage when unemployment increases. I can see no other interpretation of these data.

Mr Howell (September 24) seems to think that the market-clearing wage is below "accepted minimum standards of dignity." But there is no reason to believe that the market-clearing wage is less than 10 per cent of its present level, which is 10 per cent of the year's natural growth. I do agree that extorting workers to moderate wage claims is unpopular. The employed majority, never before so prosperous, do not like having explained to them how their prosperity is to blame for the unemployed. That the truth is unpopular is a political problem to which I do not know the answer. Widened share ownership is perhaps desirable, especially in my case, but obviously irrelevant.

JAMES SIMONS
Reader for Labour Economics,
London School of Economics,
Houghton Street, WC1

many ways to the original Think Tank under Lord Rothschild in the early 1970s, though with a somewhat older average age (43) and a deliberately lower public profile.

However, unlike the Think Tank as it became, the unit has sought to be very much closer to policy issues of the day and less domineering in not aiming to produce the definitive answer on a particular issue in a short time.

Instead, its starting point is the frustration experienced by the prime minister and his team over their crusade against the prevailing Whitehall orthodoxyes. Some ministers have welcomed the assistance of the unit, while others have resented its alleged interference. For example, the unit has acted as a broker between the Treasury, with which it has close relations, and the Department of the Environment over their very differing views, now slightly narrowed, over reform of the rating system. Nevertheless, at times, the unit has put its political bat on and said the Treasury is asking too much.

The arrival of Lord Young on the Whitehall scene a year ago, as co-ordinator of job creation ideas, has helped since, as chairman of several Cabinet committees, he has advanced some of the unit's ideas.

Its brief excludes most foreign affairs and defence questions and, by choice, it has deliberately not spent much time on areas where there is already considerable momentum such as privatisation.

Inside Whitehall, the unit has become "oil as well as grit." It has helped keep departments in touch with the prime minister's thinking, at the same time encouraging ministers and officials to produce new ideas which might otherwise have been buried in the bureaucratic machine. It has acted as a progress-chaser to prod ministers to see that the prime minister's priorities are fully implemented.

However, the unit has recently had some setbacks. Mr Christopher Monckton, its housing specialist, was closely involved with Mr Ian Gow, the Housing Minister, in urging the end of rent controls

on new letting of private housing, though other members of the unit, including Mr Redwood, were sceptical of the likely gains. The plan was shelved by the Cabinet until after the next election. Similarly, some of the unit's ideas for a radical overhaul of social security, such as a selective approach to child support, were not accepted.

The unit was also involved in discussing whether the Government should give additional guarantees to BL. Both Mr Redwood and his unit's critic on the Department of Trade and Industry's support for industry, particularly the motor sector, and Mr Warby, were regarded by BL executives as being sceptical about the group's investment and marketing plans. In the end, political pressures persuaded Mr Norman Tebbit, the then Trade and Industry Secretary, and the Cabinet to approve further support for BL.

These decisions may reflect as much the caution of the Cabinet, and the increasing influence of the "consolidators" as the activities of the unit, described by one friend as "Thatcherite in mould and radical in intent." The unit's distinctively political role on behalf of the prime minister has, however, prompted some critics, former ministers and officials to argue for the creation of a body which stands back more and gives detached advice to ministers collectively rather than just Mrs Thatcher —namely a revived Think Tank.

Mrs Thatcher clearly does not want such a body. As Professor G. W. Jones has pointed out in an essay in "The British Prime Minister" (edited by Professor Anthony King and published by Macmillan), Mrs Thatcher is "the most interventionist Prime Minister since Lloyd George and has sought to mould the staff around her to enable her to find out more of what the departments are doing, to scrutinise their activities and to provide other options to their proposals."

On its own, this interventionism does not mean that she has created a Prime Minister's department since the policy unit and the Downing Street Secretariat are still small by any international comparison and have no executive responsibilities. But, by expanding the unit, Mrs Thatcher has moved slightly further towards Prime Ministerial... as opposed to Cabinet... government.

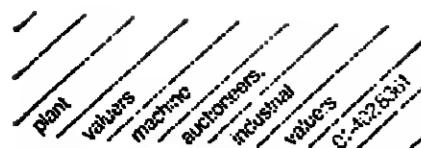
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FINANCIAL TIMES

Tuesday October 1 1985

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Banking Services

Norsk Hydro to invest £80m at UK plant

By Christopher Parkes in London

NORSK HYDRO, the Norwegian energy group, is to forge another link in its expanding chain of European agricultural supply businesses with an £80m (\$121m) investment in its nitrogen fertiliser plant at Immingham on the east coast of England.

Work should be finished by the end of 1987 on the construction of new facilities capable of producing 1,500 tonnes of nitric acid a day and production lines for ammonium nitrate liquid and solids turning out up to 3,000 tonnes daily.

Mr Harry Blackboro, chief executive of Norsk Hydro Fertilizers, the group's UK subsidiary, said yesterday that the development might form a base for future development of production facilities to supply domestic and export markets with nitrogen and other types of fertilizer.

Although the permanent workforce will remain unchanged at 1,000, the company is introducing a new employment package for members of the five unions represented on the site.

The company said it included sole bargaining rights for the Transport and General Workers Union, a three-year pay deal, flexible working practices and the creation of an advisory council made up of management and elected workers' representatives.

Mr Blackboro said a management poll of the workforce had resulted in 98 per cent approval.

Mr Blackboro said the £80m budget was the biggest investment at Immingham since Fisons built the plant in 1948.

Norsk Hydro, which took over the run-down and loss-making Fisons fertiliser operations in 1982, at present buys about 40 per cent of the ammonia it needs for nitrogenous nutrients from an ICI plant next door.

ICI has about 50 per cent of the UK market for nitrogen fertiliser. Norsk Hydro claims second place with more than 20 per cent and UKF, an offshoot of Dutch State Mines, is third with about 15 per cent.

Nitrogen derivatives account for about half the UK's 6.8m-tonne, £200m-a-year fertiliser market.

Norsk turns over more than £200m a year in the UK and employs about 1,800 at Immingham, nearby Goole, and Leith in Scotland.

In the last few years the group has built up a powerful network of fertiliser plants throughout Western Europe. The programme began in earnest in 1982 with the acquisition of the Fisons business, NSM in the Netherlands and a 75 per cent stake in Supra of Sweden.

This year it took over 20 per cent of the West German market when it bought out Veba's fertiliser arm, and a deal is near completion in France that will give the Norwegians 80 per cent of Cofaz, the second biggest fertiliser maker in the country.

Mr Blackboro said main board agreement for the investment was won after a struggle against the group's Dutch interests.

Hanson can resume buying SCM shares

Continued from Page 1

der pressure on SCM's independent directors, who are already being sued by Hanson for allegedly failing in their fiduciary responsibility.

The court upset is the latest step in Hanson's five-week-old battle for SCM, which went to the law courts when the UK company dropped its increased tender offer but afterwards went into the market and bought 25 per cent of SCM in less than two hours.

SCM shares, which have been virtually motionless in recent days, jumped \$2 to \$73 1/2 immediately after yesterday's court decision.

German police expect more rioting in cities

BY PETER BRUCE IN BONN

POLICE in Frankfurt and most other big West German cities were expecting further clashes with militant youths yesterday following a weekend of violence in 15 cities in which one man was killed and nearly 200 injured. Police have made dozens of arrests and damage to property was estimated at DM 3m (\$1.13m).

[Riot police blocked 600 leftists from marching into central Frankfurt last night after a vigil at the site of the protester's death, AP reports. No clashes or arrests were reported.]

The weekend rioting is almost certain to strengthen the hand of the Interior Minister, Herr Friedrich Zimmermann, who has been battling with opponents on the governing coalition to clamp down on the country's relatively liberal demonstration laws.

Trouble flared without warning on Saturday evening when demonstrators gathered in the centre of Frankfurt to protest against a meeting of the neo-Nazi National Demo-

catic Party (NPD). After a largely peaceful demonstration against the meeting had officially ended, around 300 mostly masked demonstrators tried to prevent the NPD meeting taking place. When police moved to stop them, they were apparently met with a hail of stones, flares, and Molotov cocktails.

The police replied with water cannon, and the fray flared into a bitter battle after a 36-year-old demonstrator was knocked down by a stream of water and then run over by a police truck carrying a second water cannon. He died soon afterwards. Eyewitnesses claimed the demonstrator was run down deliberately.

Some 78 people were injured in the rioting that followed, more than 20 of them policemen. A Daimler-Benz parts depot was set on fire, and police estimate damage at more than DM 2m.

The rioting in Frankfurt spread to Hamburg later in the evening when groups of youths, mainly squatters, rampaged through the city's red-light district, erecting barricades across streets and smashing windows.

On Sunday, violence again flared in Frankfurt, first at the airport, where demonstrators and police clashed at the site of the controversial new west runway, and then later in the evening, more than 1,000 people had begun to march through city streets. In Berlin, another demonstration, about 1,000 strong, had begun to form, with protesters accusing the Frankfurt police of murder.

Authorities in the state of Hesse, in which Frankfurt is the largest city, are evidently shocked at the scale of the rioting and anger after Saturday's fatality. They have appointed a senior judge to lead an independent inquiry into the man's death.

Krupp Stahl to cut payroll by 2,000

BY OUR BONN STAFF

KRUPP STAHL, one of West Germany's leading steel producers, announced yesterday it planned to cut its 28,000-strong workforce by 2,000 by the end of 1987 as part of a wide-ranging rationalisation programme.

The company said that, although it had returned to profitable trading last year, a continuing squeeze on competition by heavily subsidised European steelmakers and a fundamental change in the structure of the world steel market had forced the company to make further sacrifices.

Krupp did not go into detail, but a company statement said the rationalisation would affect its flat steel production lines in Rheinhausen and Bochum. Krupp's Siegen and Hagen division, which produces mainly special steel billets and wire, would also be rationalised as well as special steel flat products at its Dusseldorf-Berndorf and Dillenburg plants.

Krupp is the biggest special steels producer in Western Europe. Special steels accounted for nearly half of turnover - DM 8.08bn (\$2.03bn) in 1984 and for 35 per cent of crude steel production, which totalled just over 4m tonnes.

The company, part of the Fried Krupp industrial group, has already been through one dramatic rationalisation process. Its workforce has fallen from more than 42,000 in 1980, and total steelmaking capacity has dropped from 8.5m tonnes to around 5m in the past 10 years.

It is more than likely that this current programme will be brought about by the collapse during the summer of plans to merge with another West German producer, Klöckner Werke. The Soviet embassy confirmed the abductions but disclosed no other details. Eyewitnesses said gunmen intercepted a car with diplomatic licence plates, fired a few shots, then bundled the diplomats into their car and drove off.

A car was later found in a neighbourhood of Münsterheim with smashed windscreens, according to Lebanese police. The Soviet embassy refused to comment on the incident but a militia group with influence in West Beirut said it was asked for assistance in tracing the missing diplomats and that its security branch was investigating the kidnappers.

This was the first time Soviet citizens were a target in the wave of kidnappings that has driven Westerners out of Beirut since March last year. The Soviet embassy received threatening letters and Soviet nationals residing in Beirut reported missing phone calls warning them that their turn was next. Diplomats at the Soviet embassy declined to comment on the kidnapping. Mr Alexander Soldatov, the ambassador, is in the Soviet Union on vacation.

Mr Yuri Sosnikov, the chargé d'affaires, and Mr Soldatov are the only Soviet diplomats who travel around the Lebanese capital with bodyguards, despite the upsurge in kidnappings in the Moslem-controlled sector of Beirut.

There was no immediate explanation about the motive behind the kidnappings. Syria, the Soviet Union's closest ally in the middle East, has been backing a multi-pronged offensive by left-wing militia groups against Moslem fundamentalists entrenched in the northern port of Tripoli.

The fundamentalist Tawheed militia, in favour of an Iranian-style Islamic republic in Lebanon, has close ties with the Tehran-backed Hezbollah or "party of God" which is believed to be involved in some of the kidnappings in West Beirut.

Islamic Jihad, which has claimed responsibility for the disappearance of six Americans and four Frenchmen, said on Sunday that hostages it is holding would appear at a press conference.

Islamic Jihad, an underground organisation believed to include the extremist fringes of Shia Islam in Lebanon, has been pushing for the release of 17 prisoners in Kuwaiti jails detained in December 1983.

Cockerill operating loss BFr 508m in first half

BY PAUL CHEESERIGHT IN BRUSSELS

COCKERILL-SAMBRE, the state-owned Belgian steelmaker which is still financially troubled after heavy restructuring, yesterday announced an operating loss of BFr 508m (£9.33m) in the first half of 1985 compared with a profit of BFr 14m in the corresponding period last year.

When financial charges and depreciation have been taken into account, the true loss for the first half would be nearer BFr 3bn. The group is expecting a full-year loss of about BFr 500m.

The operating loss was struck despite an increase of 2.7 per cent in turnover over the 1984 first half at BFr 42.34bn. Output was 2.35m tonnes against 2.44m tonnes.

The steelmaker attributed the disappointing first half to the exceptionally bad weather in the first part of the year and also cited the strength of the dollar. Although Cockerill sells little steel in dollar-zone countries, it purchases raw materials heavily from them.

The group also complained about the clamp on its production levels through the EEC's quota system and, like most other European steelmakers, bemoaned the relatively low level of price.

Mr Jean-Pierre Gobert, chairman of Cockerill, said: "The group is

continuing to do its best to improve its performance."

Shares in Cockerill, which has been trading at a discount to its book value for several months, fell 1.5 per cent yesterday to BFr 15.50.

Mr Gobert said: "We are not able to meet our financial obligations and we are unable to pay our debts. We are facing a very difficult situation."

Alitalia bounces back into profit in first half

BY JAMES BUXTON IN ROME

ALITALIA, Italy's national airline, made a gross profit of £455m (\$823m) in the first half of this year on sales that rose by 20 per cent to £1.57bn.

No operating profit figure was disclosed for the first half of this year. Alitalia did say, however, that its self-financing rose from £1.57bn in the first half of 1984 to £1.63bn in the first half of this year.

SCM shares, which have been virtually motionless in recent days, jumped \$2 to \$73 1/2 immediately after yesterday's court decision.

Investments were £493m, mostly in new aircraft. Capacity rose by 8 per cent during the half-year and traffic by 8.1 per cent, producing a rise in load factor from 80.8 per cent to 82.4 per cent.

Shares in Alitalia, which is more than 99 per cent owned by IRI, the Italian state holding company, have risen sharply on the Milan bourse recently amid suggestions that IRI was planning to reduce its stake in the company. IRI recently reduced by 10 per cent its holding of preference shares in Alitalia, by selling to other institutions.

German police expect more rioting in cities

BY PETER BRUCE IN BONN

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Banque Indosuez to open Chinese branch

By David Marsh in Paris

BANQUE INDOSUEZ, the internationally operating French bank, has become the first European institution to be given a full banking licence in China under Peking's cautious entry plans for foreign banks.

The People's Bank of China, the central bank, has given Indosuez authorisation to open a full branch in the economic expansion zone of Shenzhen in the south of the country near Canton.

Banque Indosuez, with a highly developed network in South-East Asia and strong historical links with Hong Kong, will become the third international bank to be allowed to start full operations in Shenzhen. The first two were Hong Kong and Shanghai Banking and China Construction.

M. Antoine Jeancourt-Gaignani, the Banque Indosuez managing director, yesterday said the bank had no illusions over the "immediate profitability" of the new branch. But he said it was "highly important" for Banque Indosuez to be taking part directly in banking in China under Peking's economic development plan.

The Shenzhen branch, which will start with a team of about six people and build up gradually, will handle deposit and credit business in foreign currencies. It hopes to develop customer business with foreign companies in China as well as with joint ventures set up by the Chinese authorities and with Chinese corporations and institutions.

Banque Indosuez has already played a leading role in helping to improve French trade with China. It has put together financing for the FF 500m (£61.7m) telecommunications deal won by the Alcatel-Thomson group this year and is working on financing a Franco-British nuclear power station planned to be built in Guangdong province, where negotiations have still not been completed.

As well as extending expertise in trade finance, the new bank will also carry out foreign-exchange dealing. The Chinese authorities have also indicated that it will be able to transact securities.

Banque Indosuez already has a branch in Shanghai as a result of the bank's historical links with China. That has remained in being but has not been functioning for the last 15 years and will be closed down. Four other foreign banks also maintain foreign branches in Shanghai. Those are small in size and mainly carry out documentary credit business.

Many foreign banks also have set up representative offices in China and the country has opened trade links with the West in recent years. Banque Indosuez already has such offices in Beijing, as well as Shenzhen and Shanghai.

Soft loans for China limited, Page 2; Paribas venture capital fund, Page 27

Gatt sets agenda for talks

Continued from Page 1

The demand of the U.S. and other industrial nations that services be discussed is covered by the reference to "changes in the trade environment".

Mr Mike Smith, the deputy U.S. trade representative, said that agreement on what should be negotiated in the new round should not be expected in the next two days, but no more time should be wasted in moving towards it.

For the EEC, M. Paul Layen, the Commission's deputy director-general for foreign affairs, outlined the plan which would establish a "formal preparatory mechanism" for the new round at the end of November.

In the complex world of European diplomacy, that may give rise to accusations that the U.S. is trying to create "a new institution" for Western decision-making. France has also consistently made clear that the economic summits must

not be made into a sort of "super-Nato", dominated by the U.S., for running Western defence policy.

Peter Bruce in Bonn adds: Chancellor Helmut Kohl had begun to prepare for a meeting with President Reagan at least a week ago, it is understood. Besides discussing general arms reduction questions, the West German leader also wants to tell Mr Reagan that Bonn will join the star wars research programme. However, a formal announcement is not expected until the end of the year.

Mr Reagan's plan to meet Mr Gorbachev has triggered hopes in West Germany for progress in arms control.

THE LEX COLUMN Breaking out at Broken Hill

By David Marsh in Paris

THE LEX COLUMN is a weekly column by David Marsh in Paris, covering issues of interest to the financial services industry.

There are any number of possible explanations for the sharp rise in British retail sales in August reported yesterday. The purchase of autumn clothing appears to have been brought forward because of the weather, the mortgage-rate cut announced during the month will have encouraged higher spending, and changes to the seasonal adjustments may have produced an upward bias. But if the Government or anyone else is casting around for evidence of wage restraint, yesterday's numbers will hardly provide

pressed, the tea price is low and sterling is strong.

Like the rest of its sector, most of Incheape's earnings are in dollars or dollar-related currencies, and the company lost £4m in the first half of the year. The sector has underperformed the rest of the market ever since sterling started to strengthen and is likely to remain dull as the dollar falls. This leaves

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday October 1 1985

Canada to investigate failure of banks

By Bernard Simon in Toronto

THE Canadian Government is to seek a liquidation order against a second bank in western Canada, and has named a supreme court judge to investigate the country's first bank failures in 82 years.

Mr Barbara McDougall, Minister of State for Finance, said yesterday that Northland Bank of Calgary had failed to find a suitable amalgamation or restructuring proposal since it was placed under curatorship on September 1.

At that time, the Government announced that it was putting Canadian Commercial Bank of Edmonton into liquidation, but that Northland would be given a limited time to restructure.

Both banks, with combined assets of C\$4.1bn (US\$3.3bn), were hit by the recession in the western Canadian property and energy sector.

The Government sponsored an abortive C\$35m rescue package for CCB in March. The Bank of Canada subsequently provided short-term loans totalling C\$1.8bn to the two banks to cover withdrawals by nervous depositors.

Mr McDougall said Northland's curator reported last Friday that the book value of the bank's loan portfolio "does not reflect an adequate provision for loan losses." The additional amount needed would exceed Northland's capital base.

Reports surfaced late last week of several rescue bids for Northland, including one from a consortium led by Royal Bank of Canada and National Bank, the country's first and sixth largest banking groups. But none of these proposals was considered suitable by the Government.

The collapse of the two Alberta banks has prompted concern about the adequacy of Canada's regulatory system for financial institutions. Supreme Court Judge William Keay has been instructed to investigate all aspects of the two banks' failure.

Quadrupled profit for Toro Assicurazioni

By Alan Friedman in Milan

TORO ASSICURAZIONI, one of Italy's largest insurance companies, more than quadrupled its group net profit for 1984, to L54.1bn (30bn). The Turin-based company, which is controlled by the Agnelli family of Fiat fame, said its total premiums last year rose by 13.1 per cent to L1.025bn.

Investments at December 31 amounted to L6.65bn, which was L2.68bn higher than in 1983. Investment income for 1984 came to L1.48bn, an increase of 21.8 per cent.

At the end of the first half of this year the group's premiums totalled L1.325bn, with particular rises in life policies. Property holdings at June 30 of this year were valued at L341bn.

Meanwhile, La Fondazia, the Florence-based insurance company in which the Montedison group now controls a 26 per cent stake (following the recent takeover of the 32 per cent holding group), said its first-half group premiums were up by 13.3 per cent, to L704bn.

Sols, the energy subsidiary of the Montedison group, yesterday reported a 30 per cent jump in first-half operating profits to L180bn (100bn). The company's first-half turnover was L1.95bn.

Eurobonds

Emhart launches double deal

By Maggie Urry in London

EMHART, the US industrial machinery and chemical group whose best-known product is Rustik glue, was providing most of the excitement in the Eurobond market yesterday with news of two deals. A £5m Euro-Sterling issue was launched by Kleinwort Benson, while BNP Bank set terms for the DM 175m deal to be launched today.

Emhart has extensive operations in Europe and it is thought that the new issues are refunding earlier borrowings as well as hedging the group's currency exposure.

The sterling issue has a seven-year maturity and pays an 11 per cent coupon. Issue price is 100% and, less the 1% per cent fees, the bonds yield around 9% basis points more than UK gilts. Investors felt the terms were reasonable and pointed out that there have been no new fixed-rate sterling deals for some weeks. The bonds were trading just inside the face.

Siemens' expansion plans send Gould share price higher

By JOHN DAVIES IN FRANKFURT

SHARES in Gould, the U.S. electrical group, continued to rise yesterday as rumours grew of an impending takeover, possibly by Siemens, the West German electrical and computer concern. Siemens is bent on expansion in the U.S. although not at any price. For this reason, the Munich-based company is bound to be interested in buying at least part of Gould.

The takeover rumours sent Gould's share price soaring on Wall Street last week. On Thursday Gould shares jumped 53% to \$30, their highest level for more than a year - in very heavy trading. Early yesterday Gould's shares rose a further 5% to \$30.75.

Gould, with sales of \$1.4bn a year, would certainly be well within reach of Siemens, which has built up a hoard of cash and liquid assets that would be impressive even for a tank.

It is common knowledge that Siemens has cash and liquid assets of about DM 20bn (\$7.5bn) a year, and executives suggest that the amount could not have changed in

any dramatic degree since then. Siemens in fact has been swimming in profits. Its net earnings after taxes rose 33 per cent to DM 1.06bn in its financial year to the end of September last year, on sales of DM 45.8bn. It made almost as much profit in the first nine months of the financial year which has just ended.

Because of its well known ambition to scoop up operations in the U.S., Siemens has been receiving approaches from many companies - some considered "funny," others "more serious."

Gould clearly falls in the category of more interesting possibilities, as it would fit in well with Siemens' efforts to build up factory and office automation systems, as well as other future-oriented lines of business.

In the electronics industry it is widely understood that Gould is on the market, but there is speculation about whether Gould's defence interests, with sales of about \$400m a year, would be either offered to or accepted by Siemens.

Paribas sets up new venture capital fund

By DAVID MARSH IN PARIS

PARIBAS, the French nationalised investment bank, has completed raising a \$50m venture capital fund which will be placed in small, high-growth companies in a number of Western countries.

The fund has been subscribed by U.S., Belgian, British and French investors, including pension funds, insurance companies, financial institutions and industrial groups. The number of participants is about 35, with Paribas itself putting up around 15 per cent.

The fund is one of the biggest put together by French institutions to back venture capital activities. Paribas says it is now managing \$125m in such funds, including its existing venture capital schemes put together over the last few years to invest in the U.S. and Japan.

Paribas runs its venture capital activities through an advisory company called Paribas Technology. The bank's first U.S. venture capital investments were made in early 1979, before Paribas was nationalised, and have been built up steadily since then.

The bank said yesterday the latest fund would invest in companies in the U.S., Japan and France.

Merrill recruits new treasurer from GM

By PAUL TAYLOR IN NEW YORK

MERRILL LYNCH has recruited Mr Courtney F. Jones, treasurer of General Motors, the biggest U.S. car maker, to become chief financial officer of the Wall Street securities firm.

The appointment of Mr Jones, aged 45, continues a massive senior management reorganisation at Merrill Lynch which began over a year ago and has accelerated under Mr William Schreyer, aged 57, who took over as Merrill's chief executive in July last year and succeeded

Mr Roger Birk as chairman in April.

As part of the reorganisation, Mr Daniel Tully was elected to the dual role as president and chief operating officer of the financial services company.

Mr Jones' appointment was jointly announced by Mr Schreyer and Mr Tully yesterday. Mr Jones, who will also serve as a Merrill Lynch executive vice-president and member of the Wall Street firm's corporate office, will report to Mr Tully.

BSN suffers setback

By DAVID HOUSEGO IN PARIS

BSN, the French food and beverage group, suffered a substantial fall in profits during the first half but expects to end the year with net earnings above the 1984 level.

The group reported yesterday that its first-half consolidated profits fell by 27 per cent to FF 1.32bn (33.5bn). However, sales rose 1.8 per cent to FF 14.3bn. But M. Antoine Riboud, the chairman, forecast a sharp pick up in profits in the second half and said that for the year as a whole net earnings would

be significantly above the group's 1984 performance.

The downturn in the first half was in part due to the bad weather in Europe cutting sales of soft drinks and beer. Profits in the drinks division were cut by 37 per cent to FF 765m.

The other major factor behind the fall in earnings was a conflict in France between BSN's milk products division and some of the major supermarket chains

Ericsson withdraws from U.S. PC sector

By Kevin Done in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, is withdrawing from the U.S. market for personal computers barely a month not at any price. For this reason, the Munich-based company is bound to be interested in buying at least part of Gould.

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NatNed wins Japanese trading permit

By Laura Reum in Amsterdam

NATIONALE-NEDERLANDEN, the largest insurance company in the Netherlands, has become the first European insurer to operate in Japan with the opening of a life insurance office yesterday.

An informal permit from the Japanese authorities is to be followed by a formal licence in the spring of 1986 and caps a three-year struggle to gain entrance to the tightly regulated Japanese market. The only foreign insurance companies previously allowed into Japan have been American.

Nationale-Nederlanden has persevered with the lengthy application because Japan, as a heavily insured country, is considered a promising market. When the insurer 18 months ago received tentative approval for four products to be sold in Japan, the company estimated the Japanese would provide about FI 1,500 (\$302) per person in premiums. Japan accounted for nearly 14 per cent of the West's premium volume, Nationale-Nederlanden estimated at the time.

The Hague and Rotterdam-based insurer operates in 24 countries and reported turnover of FI 16.6bn last year.

It will market its life insurance in Japan through the Showa Shell dealer network and another network of agents already selling non-life insurance.

Norwegian insurer gains in first half

By Fey Gjelseth in Oslo

STOREBRAND-NORDEN, Norway's largest insurance group, lifted profit before allowances by Nkr 25m (33.2m) to Nkr 160m during the first half of 1985. A strong improvement in results from financial activities, including profit from share sales, exceeded losses on domestic and foreign non-life insurance.

Mr Jan Erik Langangen, the managing director, said group results for the year, excluding life business, would almost equal last year's figure of Nkr 35m; non-life claims were lower in the second than in the first half of the year.

Mr Langangen, who replaced Mr Jannick Lindbeck as managing director only three months ago, after reported disagreements between Mr Lindbeck and the board, said that Storebrand has recently reduced large profits on share sales.

"Share prices have now risen so high that we felt it was prudent when the market starts to fall it is too late for a major investor like us to pull out."

PRIVATISATION ISSUE HIGHLIGHTS WEAKNESSES OF MILAN BOURSE

Opening up the Italian market

BY ALAN FRIEDMAN IN MILAN

THIS morning a delegation of Italian state industry officials, bankers, stockbrokers and politicians will gather on the floor of the Milan bourse for what should be a cheerful occasion. The cause for festivities is the listing - nearly four months after the equity issue - of newly-privatised shares which make up 40.25 per cent of Sirti, the state telecommunications installation company.

The group had ambitious plans to sell some 15,000 to 20,000 PCs in the U.S. this year, but sales have totalled only 3,000.

Production of personal computers at its plant in southern Sweden is the largest so far of Italy's new wave of partial privatisations. The company holds a virtual monopoly on the installation of long-distance cable systems in Italy and has successful subsidiaries operating in Saudi Arabia, Brazil and Spain.

Financially speaking it is a gem. Its 1984 net profit of L54.5bn on L459m of turnover represented twice the income level of 1982 and nearly five times the company profit of 7.8.

Sirti's debt is negligible. It has an extremely close relationship with Prelli (which has supplied most of the 100,000 km of cable installed in Italy since 1921) and overseas has proved itself adept at winning contracts like the present \$300m deal to install 2,500 km of coaxial cable for a telecommunications system in Saudi Arabia.

The Sirti issue is thus a good case study of privatisation Italian-style.

As in all new issues on the bourse, the initial price evaluation was done by an executive committee of stockbrokers. The committee took the company's L2,400 net asset val-

ue per share and decided on an offer price of L4,200. Banca Commerciale and the other 14 banks in the underwriting consortium then went ahead with an issue priced at L3,850 a share, a price/earnings ratio of 7.8.

The pricing was done in May, subscriptions for shares were meant

to open on June 10 and run for 10 days and, while individual investors were limited to a maximum of 5,000 shares, institutions were able to buy shares without any ceiling.

What happened next caused quite a stir. Subscriptions were closed, not 10 days after June 10, but before the end of the morning of June 10. Within 48 hours of the issue's launch the price of Sirti shares on Milan's "grey market" shot

from L3,850 to more than L4,000.

Many individuals reported being turned away as early as 8.30 on the morning of the offer. There were said to be an initial 57,000 shareholders, but this number soon diminished as grey-market transactions soared. The three foreign underwriters who took a total of 13 per cent of the new shares - Warburg, Goldman Sachs and Swiss Bank Corporation - were more than satisfied.

Four days after the Sirti issue opened (and closed) the Consob stock market regulatory authority called for special controls on the

grey market. Yet bureaucratic delays meant that official trading starts only today, and the grey market has therefore traded happily for four months now. Sirti's share price has stood in recent days at around L7,000, or 82 per cent above the offer price.

A giveaway, or a runaway market success? In the Milan bourse a rather fine line may divide the two. After all, the bourse has been booming since the start of the year, the share price index has risen by 75 per cent and foreign investors have been pouring funds into Italian equities.

Sig Francesco Gelfi, Sirti's managing director, explains the matter this way: "This is a special moment for the Milan bourse. The boom is quite extraordinary, and the price of Sirti shares is fixed before the latest stage in the boom." Sig Gelfi says the distribution of shares was fair, while in the bourse stockbrokers claim a few institutions staggered heavily.

All that can be said is that a period of four months between the share offer and official listing seems a lengthy delay, even if it is frequently the norm. And the manner in which new issue prices are determined - through a bourse committee and then a handful of state banks - perhaps leaves something to be desired.

Midland plans Trinkaus share flotation

BY JOHN DAVIES IN FRANKFURT

TRINKAUS & BURKHARDT, the West German private bank largely owned by Britain's Midland Bank, is expected soon to offer shares to the public and embark on a stock-market listing.

As a result, Midland is expected to reduce its stake from 92 per cent to a little more than 70 per cent, a goal it has had in mind for several years.

Investors are likely to be offered a stake of more than 20 per cent, with the rest held by present and past managing partners of the

bank.

Trinkaus has declined to confirm the moves, but it is widely known in financial circles in West Germany that preparations have been under way for some time.

Midland bought a majority stake in Trinkaus & Burkhardt from Citibank of the U.S. in 1980 and later took over further holdings, including a stake of more than 20 per cent from Banque de l'Indochine and Suez of France.

Trinkaus executives have often stressed, however, that Midland

owners authorised a possible capital increase of up to a nominal DM 25m (\$9.4m) at an extraordinary general meeting in Düsseldorf on Friday.

Significantly, the meeting excluded the right of existing shareholders to subscribe to DM 5m of this new capital.

It is believed that bank executives will soon exercise this authority by increasing the bank's capital through new shares with a nominal value of DM 5m and that these will form part of the stake offered to investors.

All of these Securities have been offered outside the United States.

This announcement appears as a matter of record only.

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BHP to spend A\$1bn on major minerals expansion

BY MICHAEL THOMPSON-NOEL IN SYDNEY

BROKEN HILL PROPRIETARY (BHP), Australia's largest company, is spending A\$1.02bn (US\$714m) on a major expansion of its Australian iron ore and coal interests.

The main beneficiary is CSR, the Australian arm of the sugar group, whose debt burden will be cut by selling BHP's 50 per cent stake in the Mount Newman iron ore venture in Western Australia for A\$480m, and its 22 per cent interest in the Thiess-Dampier-Mitsui Cost (TDMC) operation in Queensland for A\$140m.

In addition, BHP is paying Amax of the U.S. A\$400m for its 25 per cent share in Mount Newman. As a result, BHP's overall stake in Mount Newman will rise from 50 per cent to 68 per cent and in TDMC from 58 per cent to 60 per cent.

The news reflects robust good faith in Australian iron ore and coal mining, and follows last Friday's announcement of a first-quarter net profit at BHP of A\$304.2m, indicating a 1985-1986 net profit of well in excess of A\$1bn.

Mr Brian Loton, BHP's managing director, said yesterday that BHP had offered to buy part of CSR's Cooper Basin oil and gas interests but was happier with the deal now.

CSR is now less likely to need to sell part of its Delhi oil and gas group.

In the past three years, BHP has spent more than A\$3.5bn on acquisitions, mainly in energy. Sales revenues in 1984-1985 were A\$7.1bn, and net profits A\$774m.

Its main activities are in

Pacific Rim countries, including the Americas, where last year it bought Energy Resources of the U.S. for A\$650m, since renamed BHP Petroleum.

BHP's latest investment will be funded equally by cash in hand and loan facilities.

The Mount Newman joint venture produces more than 30 tonnes of iron ore a year, supplying BHP's own steel mills

and export customers. TDMC operates the new Riverside coking coal mine in central Queensland.

BHP's minerals division more than doubled its first-quarter net profit for the period to August 31 to A\$91.8m, helped by the depreciation of the Australian dollar against its U.S. counterpart.

If the abolition of interest rate ceilings were advanced to the final stage (lifting the ceiling of interest rates on deposits of more than Y30m),

the market would react more sharply by marking its shares 13 cents lower at A\$2.42. MM said it thought Asarco an "excellent counter-cyclical investment," description that spread giddiness in broking circles.

Mr Holmes à Court said he originally invested in Asarco because he saw it as the purest copper investment anywhere.

However, he had noticed that Third World producers such as Chile were making acceptable money (in domestic currencies) despite the metal's depressed price.

See Lex

Mr Holmes à Court, the Perth entrepreneur, has sold his 13.3 per cent stake in Asarco, the troubled U.S. mining concern, to MM Holdings of Brisbane, for A\$140m (US\$99.7m) at an estimated price of about A\$7m.

"I wanted to be the only one in the world to make a profit out of copper in 1985," said Mr Holmes à Court.

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UK COMPANY NEWS

Strong pound holds Inchcape at £36m

Inchape, international merchant, blamed the strength of the pound for pre-tax profits almost static at £36.22m in the six months to June 30 against £35.90m last time.

Sir David Orr, chairman, says a translation at the exchange rates of last December 31 would have added about £5m.

Analysts had been expecting a rise of at least £5m.

Shares per share rose from 16p to 22p, after a 10p-a-share tax charge — £17.92m against £16.76m — and a reduction in the share of profits to minorities — £226,000 against £2.58m.

The interim dividend is being maintained at 7.15p.

Group turnover grew 2 per cent from £912.3m to £931.08m, with the Far East achieving pre-tax profits of £17.5m against £16.9m in net turnover up to £260.9m (£237.21m).

Hong Kong achieved improved results, says Sir David, helped by the demand for motor vehicles and office equipment from China.

However, trading conditions in Singapore and Malaysia deteriorated and profits were down, mainly because a depressed timber industry and further provisions for Inchape Bell's heavy equipment and agricultural machinery business in Malaysia.

In India, tea prices fell from the high levels of 1984 and pre-tax profits were down from £5.33m to £3.92m on turnover of £11.03m (£11.91m).

In the UK, pre-tax profits were down marginally to £10.17m (£10.5m) on turnover up from £229.01m to £241.83m.

Group operating profits of £30.28m (£22.02m) with associated companies' profits of £13.62m

(£13.42m) and investment income of £79,000 (£165,000). Pre-tax profits were struck after finance charges of £16.76m (£20.21m).

There were extraordinary debits of £4.93m (£7.4m) arising mainly from losses on the sale of shares in subsidiaries and provision for post-disposal costs.

Attributable profits amounted to £13.75m compared with £21.75m.

An analysis, business by business, shows general merchandising achieved pre-tax profits of £20.1m (£16.5m) on turnover of £229.92m (£242.51m).

Motor made pre-tax profits of £15.5m (£15.5m) on turnover of £442.92m (£415.11m); insurance £5.74m (£3.16m) on turnover of £31.81m (£32.71m); marine and specialist services £3.34m (£7.12m) on turnover of £33.56m (£37.86m); and other businesses accounted for £4.96m (£3.56m).

See Lex



George Turnbull: promoted to chief executive

J. Neill bids £11.8m for Spear & Jackson

By Charles Batchelor

A TAKEOVER battle broke out yesterday between two of the leading survivors in Britain's battered hand tool market with the launch of an £11.8m takeover bid from James Neill Holdings for Spear & Jackson International.

The SEVERE weather at the beginning of the year and the disruptive effects of the miners' strike, plus the partially-related steel problems combined to give Rugby Portland Cement a poor start to the year.

Turnover rose by 20 per cent

from £88.64m to £107.07m but pre-tax profits slumped by 41 per cent to £8.86m against £16.86m.

From earnings per share of 8.4p (£6.2p), an unchanged interim dividend of 2.2p has been declared.

Last year there was a total payment of 6.2p net, of pre-tax profits of 2.79p.

Mr Maurice Jenkins, chairman, says the UK cement division should have settled the matter.

Profits from UK cement were about down by 75 per cent in the first half, and a rough finish in the second.

Part of the problem was its dependence on the south which is less well equipped than the rest of the country to cope with a harsh winter.

The worst is over, however, and following the 5 per cent price increase in June, second half UK cement profits should be much better than last year.

Meanwhile, the sideways timber are showing promising signs, although during the first half, the strength of Australian timber was wiped out by the collapse of the Australian dollar.

The weighty acquisition of John Carr will start to make itself felt in the second half, adding about 25.5m to total trading profits.

Expansion at Addiscombe into four new branches will shortly translate into higher profits.

The effect of these acquisitions has been to lift gearing from less than 10 per cent a year ago to an estimated 37 per cent by year end, and after a correspondingly heavy interest charge, pre-tax profits may be about £25m for the full year.

A p/c of 10.12p for the difficult year could come down sharply given a brighter 1986, and meanwhile a yield of 7.1 per cent at 124p should tide over those who want to wait.

Weather and miners blamed for Rugby's 41% profit slump

the UK cement division should recover, but not by enough to make good the first half setback.

However, the division should benefit from the June price increases and further moves to cut costs.

The overseas contribution will depend on the year-end exchange rates, but it is expected to be higher.

• comment

If the wisdom of Rugby's diversification away from UK cement sales was ever in doubt these interim results should have settled the matter.

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A p/c of 10.12p for the difficult year could come down sharply given a brighter 1986, and meanwhile a yield of 7.1 per cent at 124p should tide over those who want to wait.

Mr Jenkins is expecting a cash alternative worth 195p for each Spear share. If all shareholders and holders of options on Spear shares took up the offer, the value of its 210p per share would lead to the 15.1p of shares equivalent to 33.12p cent of Neil's enlarged equity.

Both Neill and Spear have recovered strongly over the past year or so from the recession which pushed both of them into the red in the early 1980s.

Mr Bullock said: "It is such a logical combination. Imports from countries in the Far East and from Portugal and Sweden have flattened out at nearly 50 per cent.

"Now is the time to hit back. A merger would give us the same size and range as Sandvik (the Swedish group and Europe's largest hand tool maker)."

It would bring together Neill's metal-cutting hammers and hammers with Spear's circular saws. Spear has timber and lumber cutting equipment while Neill is developing plastic cutting equipment.

Mr Leonard Grossbard, managing director of Spear, commented: "They have the problem of importers dumping hand tools in the UK while we are in a specialised market with negligible import penetration. We have a strong brand position and their name is not known at all."

Mr Grossbard charged that the bid was a defensive move by Neill, following the build-up of a near 12 per cent stake in its shares by Suter, the refrigeration and air conditioning group, last year. The Suter holding was placed with institutions in January.

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Now is the time to hit back. A merger would give us the same size and range as Sandvik (the Swedish group and Europe's largest hand tool maker)."

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UK COMPANY NEWS

Strikes restrict Adwest's growth

Industrial trouble at two subsidiaries has seriously affected the 1984-85 results of the Adwest Group.

A strike at Bowden Controls restricted growth during the opening six months and disruption at Durhams left gross pre-tax profits for the full year to June 30 just 4.8 per cent ahead at £1.7m.

Although the results are described by chairman Mr Frank Walker as disappointing, the final dividend is being lifted from 8.5p to 11.5p for an increased net total of 7.75p, against a previous 8.7p.

He looks to the future with confidence and tells shareholders that from indications he has so far he thinks the group will have a successful year.

Turnover for 1984-85 rose from £75.5m to £77.25m but at the trading level profits improved by only £14.000 to £6.90m—the group manufacturers automotive components, electrical equipment, pumps and other engineering products. It also has property development interests.

Pre-tax profits were struck after deducting interest costs of £1.02m (£57,000) and adding in a £1.85m (£93,000) share of related companies profits.

Tax accounted for £2.75m, little changed from last year's £2.50m, and minorities took £1.12m, compared with £1.12m. Attributable earnings emerged £172,000 higher than last year.

Dividends will absorb £2.41m

(£2.08m) to leave a retained balance of £2.3m (£2.55m).

Earnings improved from 14.9p to 15.4p per 25p share.

Trade profits for the first six months rose to £2.56m (£2.56m).

The nine-week strike at Bowden was said to have cost between £200,000 and £250,000 in lost profit.

• comment

The market was well aware that 1984-85 was going to be bad for Adwest. Strike at Bowden and Durhams lost £750,000 of profit, dropping the automotive division's contribution by a quarter to £1.9m and offsetting all the recovery achieved (at long last) in France. But at least strikes apart the division was heading the right way while there is more than can be said for engineering

where three subsidiaries in particular helped push profits down by 8 per cent to £1.65m. Lacy-Hubert was troubled by weak demand and management problems. J. T. Wade also experienced poor demand while Ross-Courtney did little better than break-even after moving factory from Holloway to the West Midlands. So it was left to electrics, up 40 per cent to £1.85m and high profits from property, to keep the pre-tax line above water.

With the exception of the engineering division, showing a recovery and the absence of strikes, profits could rise by a fifth to 10.5m this year dropping the p/e to just under 9 at 12.5p. After a 35 per cent tax charge, with £61m in the bank the group is still looking for acquisitions outside the automotive sector.

Amari up 20% midway to £3.7m

ALL DIVISIONS of Amari, the stockholding and metal merchanting and manufacturing group, traded profitably during the first six months of 1985 and combined to lift the taxable surplus by over 20 per cent to £8.67m, against £5.04m.

The interim dividend is trebled to 8p.

The second half of the year has started well, the directors say, and results continue to be satisfactory—total profits for the whole of last year were £8.51m.

The interim dividend is trebled to 8p and directors say that as they would like to strike a reasonable balance between the interim and final payments, the total distribution for the year is unlikely to be less than 8.7p.

Turnover for the first six months has risen from £55.05m to £58.22m. Profits were subject to tax of £1.47m (£1.2m), minority interests took £8.000 (£8.000), but attributable profits came through ahead from £1.8m to £4.05m after an extraordinary credit of £1.95m.

Shareholders are told that the new smaller car, the X100, is on schedule and that the extension and alterations to the factory are going according to plan.

Mr Wickins concludes: "With the engineering order book full and another 122 are to be recruited in the coming months. The group's order book now exceeds £30m."

Referring to the U.S. Mr David Wickins, chairman, says that a strong pound and rising interest rates may bring cheer to some but adds that it does inhibit those who export to the country.

During the opening half year engineering consultancy improved by 45 per cent on the corresponding period of 1984. Over the six months a further 40 engineering staff were taken on, an increase of 36 per cent,

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.
It does not constitute an invitation to the public to subscribe for, or to purchase, any securities.

WATNEY MANN & TRUMAN HOLDINGS PLC

(Incorporated in England under the Companies Acts 1948 to 1983 with registered number 57987)

Issue of

£349,595 5 per cent. Redeemable Debenture Stock 2000
£243,200 6½ per cent. Redeemable Debenture Stock 1988/93
£696,193 7¾ per cent. Redeemable Debenture Stock 1988/93

in Watney Mann & Truman Holdings PLC

respectively in exchange for equivalent nominal amounts of the following outstanding stock in

Samuel Webster & Sons Limited

4½ per cent. Debenture Stock 2000

6 per cent. Debenture Stock 1988/93

7½ per cent. Debenture Stock 1988/93

The Council of The Stock Exchange has admitted each of the new Debenture Stocks in Watney Mann & Truman Holdings PLC referred to above to the Official List.

Listing particulars relating to Watney Mann & Truman Holdings PLC, incorporating particulars of the Stocks, have been prepared as required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, and are contained in new issue cards circulated by Exetel Statistical Services Limited. Copies of the Listing particulars and of the audited consolidated accounts of Watney Mann & Truman Holdings PLC for the year ended 30th September, 1984 are available during normal business hours on any day except Saturdays, Sundays and Bank Holidays, up to and including 14th October, 1985 from:

Pannure Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS.

Watney Mann & Truman Holdings PLC,
The Brewery,
91 Brick Lane,
London E1 6QN.

and during normal business hours on 1st and 2nd October, from:-
The Company Announcements Office,
The Stock Exchange,
Throgmorton Street,
London EC2P 2BT.

1st October, 1985

£75,000,000
Yorkshire International Finance B.V.
Guaranteed Floating Rate Notes due 1994
Guaranteed on an unsubordinated basis by



Yorkshire Bank PLC

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 27th September, 1985 to 27th December, 1985 the Notes will carry an interest rate of 11 1/4% per annum with a coupon amount of £146.47 per £1,000 Note.

County Bank Limited
Agent Bank

Financial Times

GLENROTHES SURVEY

OCTOBER 24

1985
For further details,
please contact:
KENNETH SWAN
on 031-226 4139

BOARD MEETINGS

FINANCIAL RESULTS — YEAR TO 30 JUNE 1985		FUTURE DATES	
Sales	1985 Rm	1984 Rm	Oct 8
Operating profit before interest paid	2,738.5	2,644.2	Oct 8
Less: Interest paid	49.2	73.1	Oct 8
Financing of instalment debtors	69.6	41.8	Oct 8
Other	30.8	26.0	Oct 2
(Loss)/profit before taxation	30.8	15.8	Oct 8
Taxation	1.5	3.1	Oct 8
(Loss)/profit after taxation	(21.9)	22.2	Oct 8
Attributable after-tax profit of associated companies	1.0	4.8	Oct 8
(Loss)/profit before taxation	(20.9)	33.0	Oct 8
Interest bearing	—	—	Oct 8
Non-interest bearing	33.0	39.0	Oct 8
Minority shareholders' interest	(0.1)	15.9	Oct 8
Less: Pre-acquisition profits	(20.8)	—	Oct 8
(Loss)/profit for shareholders	(20.8)	17.1	Oct 8
Non-convertible preference dividends	1.0	1.1	Oct 8
Net (loss)/profit attributable to ordinary and compulsorily convertible preference shareholders	(21.8)	16.0	Oct 8
Compulsorily convertible preference dividends	9.2	6.6	Oct 8
Ordinary dividends	2.3	9.2	Oct 8
Extraordinary (losses)/profits	(13.3)	46.4	Oct 8
(Loss)/earnings per ordinary share (weighted average excluding extraordinary items)	(32.6)	37.6	Oct 8
Fully diluted (cents)	(66.7)	36.4	Oct 8
Dividends per ordinary share	5.0	—	Oct 8
Interest (cents)	—	10.0	Oct 8
Final (cents)	—	—	Oct 8
The number of ordinary and compulsorily convertible preference shares in issue was as follows:	46,501,200	46,379,648	Oct 8
Ordinary	13,124,763	13,121,763	Oct 8
Variable rate compulsorily convertible cumulative preference	7,342,376	7,358,178	Oct 8
7% compulsorily convertible cumulative preference	66,965,339	66,859,589	Oct 8

2 The abridged group balance sheet of KTG at 30 June 1985 is as follows:

CAPITAL EMPLOYED		1985 Rm	1984 Rm
Shareholders' funds	Long-term liabilities, minority interests and deferred tax	212.7	259.1
162.9	138.1		
374.7	397.2		
TODAY	Current assets	375.3	346.4
1,030.8	640.3		
986.7	589.5		
656.1	589.5		
162.0	52.4		
494.1	497.1		
374.7	397.2		
3 Sales exclude the sales of associated companies. Associated company sales for the above periods are as follows:	558.2	536.7	Oct 8
4 Interest capitalised to the cost of developments while under construction was as follows:	2.8	6.3	Oct 8
5 Extraordinary (losses)/profits comprise:	6.1	9.1	Oct 8
Surplus on property disposal	15.4	1.2	Oct 8
Loss on close down of division	4.4	—	Oct 8
Share of associated company's foreign exchange loss	6.3	37.8	Oct 8
Reversal of deferred tax in respect of the group reorganisation	6.1	(1.7)	Oct 8
Other	(13.3)	46.4	Oct 8
6 From 1 July 1985 shareholders' funds will be reduced by approximately R17.5 million, being the goodwill portion of the Dion investment which will arise on consolidation of Dion as a subsidiary.	159.3	136.0	Oct 8
7 Group borrowings are as follows:	109.2	88.7	Oct 8
Financing of instalment debtors	50.1	47.3	Oct 8
Other	162.9	92.4	Oct 8
Short-term	321.3	228.4	Oct 8
8 Capital commitments authorised and contracted for:	14.4	40.5	Oct 8
Capital commitments authorised but not contracted for	14.5	34.4	Oct 8
These commitments are mainly in respect of store fixtures and fittings.	29.6	25.7	Oct 8
9 Future commitments on finance leases over fixtures, fittings, vehicles and equipment	13.8	6.0	Oct 8
10 Contingent liabilities	USS2.7	USS1.2	Oct 8
11 The group has no foreign exchange exposure except for uncovered foreign liabilities amounting to £12. No final ordinary dividend is proposed.	—	—	Oct 8
12 Annual financial statements will be mailed to shareholders shortly.	—	—	Oct 8

NOTES

1 Comparative results and sales for the 12 months ended 30 June 1984 include 12 months trading for Checkers and 14 months for all other operations. The pre-acquisition profits were deducted for those operations acquired on 9 January 1984. These comparative figures have been restated to conform to the 1985 presentation.

Comment

Results for the second half-year were adversely affected by the deepening economic recession, high interest rates and the continuing civil unrest and boycotts. The re-capitalisation of the group by way of rights issue and placement totalling R175 000 000 will transform the group's liquidity position.

The continuing political disturbances and recession makes it difficult to predict profits with any accuracy.

For and on behalf of the board
N Krish
M E King

Johannesburg
28 September 1985

UK COMPANY NEWS

Terry Garrett on a company born out of the recession and heading for market Wooing investors with a magnetic approach

MAGNETIC MATERIALS Group, one of Europe's largest manufacturers of magnetic components, will be joining the listed securities market within four to eight weeks.

Stockbrokers Phillips & Drew will be launching MMG with an offer for sale of around a fifth of the equity, valuing the group in the area of £20m.

Choosing the US instead of the main market may seem a little odd at first sight for a group with significant manufacturing within its market and with part of its business celebrating a centenary and another 60 years of activity.

But despite the grey beard that its history may imply, MMG is very much a child of the recession, born in late seventies, having been in its present form for only three years.

The core of the business, at least in terms of the management which brought together MMG, is Neodis. This was founded in 1935 by Edward Michael who was later joined by Len Baker.

After the war it became a leading supplier of soft ferrite material for televisions and radios.

By the sixties Neodis was manufacturing permanent magnets to complement soft ferrites which enabled the company to diversify into the presence of an electrical charge to work. It had also diversified into precision plastic components. But it was still essentially a very private company.

It took the boom in electronics during the seventies to give Neodis the appetite and ability to seek a wider market for its products. "We were able to strengthen our position in terms of cash and technical ability," says Len Baker. But along came the recession—a mixed blessing for Neodis.

"It hit us hard but it hit everybody else much harder." Neodis already had very little competition in terms of soft ferrites in the UK and now some

hand. Financially, Neodis could cope with a double acquisition but Len Baker realised he, along with the company's founder who was then 82, had to bring in outside management to manage such a large group.

So he turned to the Coal Board Pension Fund with more than a proposition to buy in.

With the backing and backing of the fund, MMG was born to embrace all three companies.

Control still rested with the Baker and Michael families though 20 per cent was now in the hands of CIN Industrial, the development capital arm of the pension fund.

But the ambitious new group was not without problems. Len Baker grins at the memory:

"We had chaos. We now had two loss-making magnet companies and Neodis that was unprofitable."

Len Baker describes his UK

market share as "dominant" in

the supply of permanent magnets

and "a major force" in soft ferrites although the UK now

only accounts for 45 per cent of

commercial production.

Through its own marketing

companies in the U.S. and France and a host of agencies elsewhere, 35 per cent of sales

are made in Europe with North America amounting to 11 per cent.

International competition

comes from the likes of Siemens

in Germany, Thomson in France

and TDK in Japan but the im-

portant U.S. market lacks an

indigenous manufacturer with real clout.

However, as the markets for

MMG's products are largely

growing and the cost of entry is

high in terms of technical ability

and capital investment, Len

Baker is fairly relaxed about

competition.

But staying in the forefront of

technical progress is important in his mind. The next step is to

expand the market to find an

extensive capital investment

programme amounting to over

£2m.

More than £600,000 of that is

earmarked for Rare Earth

magnets, small but highly

powerful products. Some are

throughout 1983 and 1984 Baker, for the first time in his career, had to make some ruthless decisions.

The large Preformations factory was closed in Swindon with the loss of 100 jobs, about a fifth

UK COMPANY NEWS

Fleet explains valuation of Reuters holding

BY CHARLES BACHELOR

Fleet Holdings, which is fighting off a £277m takeover bid from United Newspapers, has published an explanation of how it arrived at its £21m valuation of its shares' participation in Reuters, the business information group, following a "careful analysis" of United's Takeover Panel.

The Reuters' shares represent a sizable part of the net asset value of Fleet—and of many other newspaper groups—but Reuters' complex share structure makes for difficulties in valuing the shares. The "Reuters" "B" shares are listed on the Stock Exchange.

The "A" shares, convertible in "B" shares from May 1987, subject to certain conditions, are not.

Fleet said in a circular to shareholders it valued its 26.7m "B" shares at the market rate. The "A" shares give voting

control of Reuters as well as commanding the same income and capital rights and would command a premium in the absence of the restricted marketability, Fleet said. Fleet has, however, valued its 8.75m "A" shares at the same price as its "B" shares.

Fleet also owns 2.2m Reuters "A" shares indirectly through the Press Association. These shares have been valued at an appropriate discount, Fleet has said. These valuations are the same as those adopted in Fleet's accounts and are reviewed by its auditor, Touche Ross, as fair and reasonable, Fleet said.

Morgan Grenfell, adviser to United, said the Fleet statement had followed discussions at the Takeover Panel, though the Panel had not actually requested that a statement be made.

GKN builds up activities in Spain

By Charles Bachelor

GKN, Keen and Nettlefields (GKN), the UK engineering group, will substantially increase its stake in the Spanish vehicle components market, with two deals worth an estimated £15m.

GKN is to take control of Ayra Dorex, a manufacturer of constant velocity joints and propeller shafts, by increasing its stake from 35 per cent to 66 per cent. Ayra had 1984 turnover of £23m.

GKN will also buy Indugasa, a maker of Spanish vehicle joints, from the Spanish vehicle group SEAT and Citroën Hispano, the local subsidiary of the French car group. This purchase will be made through a company owned 66 per cent by GKN and 34 per cent by Spanish shareholders of Ayra.

Indugasa has annual turnover of about £40m.

GKN declined to put a value on the two deals, but stockbroking analysts estimated the Ayra share purchase was probably worth about £5m while the Indugasa purchase was worth at least £10m.

Both transactions are subject to government approval. GKN expects they will be completed within six months so the purchase price will be reflected in its 1985 accounts.

GKN said it was important to expand its position in the fast-growing Spanish vehicle market. Spain made about £250m cars last year compared with less than 900,000 in the UK.

Middle East associates behind Pritchard setback

AGAINST a backdrop of the costs of establishing new business areas and shortfalls from expectations in U.S. home health-care and catering and vending, the Pritchard Services Group saw its interim pre-tax profits fall by 21.5%.

In the UK and Ireland the core subsidiaries showed good all-round performances. In Europe, recovery was made in France and Germany.

• comment

Last year saw Pritchard driving up its borrowings and churning out paper to finance a score of acquisitions as part of a vigorous expansion in what was seen as a glamorous and potentially lucrative market. This year was supposed to be one of consolidation and a scaling down of the prints roll in. Patently something has gone wrong; yesterday's figures made dismal reading and it was only the fact that the market was well braced for them that the shares held steady at 69p. Pritchard's fundamental problem appears to be that it is operating in intensely competitive conditions where its attempts to win and sustain market share are failing, albeit without definitive returns. Notwithstanding the company's usual optimism, it will be lucky to see profits of £1m this year, a figure which has the shares on a prospective p/e ratio of 8. At that level their only attractive features are the prospective yield of 7.8 per cent on an unchanged final dividend and the possibility, however remote, of a rise.

In the U.S. turnover improved but tighter margins resulted in lower operating profits. Catering and vending was adversely affected by unseasonable dry spring weather and by a major loss-making contract which has now been closed.

GKN said it was important to expand its position in the fast-growing Spanish vehicle market. Spain made about £250m cars last year compared with less than 900,000 in the UK.

Harris store deal with Stylo

BY MARTIN DICKSON

Harris Queensway, the stores group, headed by Sir Philip Harris, has bought the Pennywise discount store chain for £5.2m from Sir Alan Pounds, founder of Pounds after falling in a £10m takeover bid for the entire Stylo group.

Pennywise operates 22 stores in the North and Scotland, selling clothing, household wares, food and fancy goods. It had turnover of £10.6m in the year to February 2 and profits of £371,000.

Harris, which is paying £4m for its share capital and taking on £1.5m of inter-company debt,

has a 75 per cent-owned discount chain, Poundstretcher, started four years ago. It now has 80 outlets.

Harris is paying for the deal partly in cash and partly by a vendor placing of 1.4m shares.

Sir Philip said he was sure Harris Queensway could improve Pennywise's margins to match the 10 per cent net achieved by Poundstretcher.

Mr Arnold Tait, chairman of Stylo, said Pennywise did not fit into the Pounds' management business and Harris Queensway had "made us an offer we could not refuse."

Westland restructuring talks

Westland, the troubled UK helicopter manufacturer, is holding delicate discussions with the Government and a number of international aviation groups—among them Sikorsky of the U.S.—about a major financial re-structuring of the company.

The negotiations still have a considerable way to go, though Westland has now had a peek-a-boo place to announce around the time of its annual results, in early December.

Westland has faced difficulties in finding work to keep its factories going until the EH-101 multirole helicopter gets into full production in several years time.

Following the sudden withdrawal of an £85m bid for the company from Bristol Rotorkraft in June, Westland said its future would best be served by

an association with a substantial international business.

Any package is likely to involve a foreign partner, or partners, taking a substantial minority stake in Westland, but a full bid for the company seems out of the question, given its minimal strategic importance.

Sikorsky—the biggest helicopter manufacturer in the world—has long been keen to get a British base and is believed to be interested in a deal with Westland.

However, the UK group is speaking to a number of other companies including Agusta, its Italian partner in manufacture of the EH-101. Westland apparently does not rule out some European participation in any package or even an entirely European deal.

Deals begin on October 7.

Ashley listing within two months

By Christopher Parkes

LAURA ASHLEY, the international textiles, clothing and retail group, is now expected to seek a listing on the London Stock Exchange sometime in the next few weeks.

"We do not want to get too close to Christmas," Mr Peter Phillips, finance director, said yesterday. The group is also understood to want to avoid the flotation being overshadowed by the Government's disposal of its remaining stake in Cable and Wireless, expected some time in December.

The flotation of the Trustee Savings Bank is also due early in January.

Announcing its plans in July, the company said it aimed "to come to market" "early next year," in a move which is expected to value it at about £200m.

A little over 25 per cent of the equity will be on offer, Mr Phillips confirmed. The group will also use new money to float to help fund expansion of the manufacturing base, concentrated mainly in the UK and Netherlands.

Mr Bernard Ashley, chairman, whose wife Laura died recently after a fall, said yesterday that the flotation would proceed in accordance with her wishes.

Gibson Lyons joining USM

By Lucy Kellaway

GIBSON LYONS GROUP, family run printing ink manufacturer, is shortly to join the USM as a market value of about £23m.

The company was started in 1922 when Mr Arthur Gibson bought a printers' ink maker in the Farringdon Road in the City. Mr Bill Lyons joined the company five years later, and now, aged 73, is president and consultant marketing director. The current chairman, Mr Michael Gibson, is the founder's grandson, who joined the board in 1968 after the death of his father, Mr Charles Gibson.

Only 10 per cent of the company is to be sold at the flotation, which is being arranged by Green & Co, and the net proceeds will go to existing shareholders.

Gibson Lyons' inks are used in packaging, publishing and in greeting, formal and greeting cards. The company has over 1,000 regular clients ranging from small print shops to large publishers. BPCC, the largest client accounts for around 15 per cent of group turnover.

During the last five years, turnover has grown steadily from £2.4m in 1981 to nearly £3m in the year to March 1985. By the recession and tough competition the company made losses in 1981 and 1982. It returned to profitability in 1983 and last year made pre-tax profits of £323,000.

The directors will be forecasting pre-tax profits for the year to March 1986 of about £365,000, on which basis the shares are likely to be on a p/e ratio of around 12.

Cowells has £6.5m value

By Lucy Kellaway

COWELLS, a specialist printer, is coming to the USM via a placing of 2.2m shares at 38p, with a market value of £2.5m. About a third of the equity is being placed, and of this less than 15 per cent is being sold by the company to raise £115,000, after expenses, the bulk being on behalf of existing shareholders.

The company, which is based in Ipswich, traces its origins back to 1818. A privately owned company until 1963, it was then bought by Grafton Holdings, which owned it until it was bought out by management in 1982.

In 1980 the group made pre-tax profits of £218,000 on a turnover of £6.7m. During the following two years profits and turnover fell, ending in a £10.6m loss in 1982.

For the current year, the directors are forecasting a 33 per cent increase in profits to £750,000. This would imply a prospective price-earnings multiple of 13 after a 33 per cent tax charge. Based upon a forecast dividend of 2.5p, the yield at the placing price is 4.2 per cent.

Deals begin on October 7. E. Sharp.

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WORDPLEX

Information Systems PLC

Unaudited results for the half year ended 30th June, 1985

- performance in difficult market—satisfactory
- overseas subsidiary network—expanded
- wordplex 8000 system sales—encouraging
- maiden interim dividend

	Half Year 1985 £'000s	Half Year 1984 £'000s	Year 1984 £'000s
Turnover	22,352	21,685	42,783
Profit before Taxation	835	810	2,241
Taxation	(209)	(205)	(163)
Profit after Taxation	626	605	2,078
Earnings per Share	6.4p	8.0p	23.4p
Dividend per Share	0.5p	—	1.8p

To obtain a copy of the Interim Statement, please write to the Company Secretary, Wordplex Information Systems PLC, Wordplex House, 221 Bath Road, Slough, Berks SL1 4AJ, or telephone (073) 74100

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THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

A SMALL group of British venture capitalists is charting its future over what it considers a coup. For a mere £800,000 it has snatched up what it believes is the only gem left in an American venture capital flop.

In May, the investors formed Orange Medical Instruments Ltd by buying from that company's parent, Orange Medical Instruments Inc., some promising product licences for devices which measure oxygen in the blood. The UK company also took some very research people.

"The American venture capital community threw away \$8m at Orange Medical," claims John Nash, a director of Advent, the lead investor in the new deal. "Over here, we bought out the only bit of that group that was breaking even."

James Burt, president of the U.S. Orange, refuses to comment on the amount of losses or the company's current capitalisation. However, one investor concedes that the investment has been among the unhappiest in his firm's \$20m portfolio. The Henry Venture Fund joined the financing 18 months ago, says Joseph Fielden, a board member and also managing director of Lazard Brothers. But, he adds, "The losses have been stem-mined. It will pull round." The U.S. Orange retains its business in the diagnostics and treatment of diabetes, a promising market—but it has had difficulty raising additional venture funding.

That difficulty, and the way that the available funds were put to use, was what finally spurred the UK half of Orange to revolt. "The cash problem was affecting everything we did," says Roy Johnson, the sandy-haired 33-year-old new president of Orange. "We literally couldn't spend any money." He is especially critical of a marketing operation in the U.S. which fell well short of expectations.

At the same time, Dr Arthur Hale, a medical scientist and biotechnology investor who was a director of Orange, became involved. Before the unit was bought by Orange Medical in the U.S., Hale had originally formed the nucleus of the UK arm as a unit of G. D. Searle, the U.S. pharmaceuticals group now being acquired by Monsanto. Hale was disturbed by the American company's treatment of his former charge. "I rang them up and said not enough money was going into the oxygen monitoring business." The UK branch had originated the technology and had developed a proprietary process for its manufacture. "They knew that," Hale continues. And in a discussion over what could be done, Hale says he "upped and asked them if they would sell it to me."



Roy Johnson: security and a fatter cheque book

Prescribing a UK solution

Jane Rippeteau examines the background to a medical instruments buy-out

Having received a somewhat surprising "Yes", Hale hurried to round up Johnson, and the financial member of the original team, Peter Albrington, and headed for the office of Nash at Advent. In the end, the three Orange men and three venture capital firms bought out Orange UK, with the old U.S. parent retaining a minority interest.

Despite putting personal capital at risk, says Johnson, "there was a feeling of security at the start."

Johnson's second marriage brought more than that security. It brought a new level of management input on the part of the venture investors. Recalls John Nash, "I wanted to capture everything from the former parent. Instead, his new backers convinced him to trim back his ambitions."

Johnson, for instance, was very keen to break free of Orange U.S.'s sales and marketing operation, which he feels drained cash and was inefficient. But Nash managed to manoeuvre him away from that and leave distribution in the hands of the U.S. company, at least temporarily. "Nash identified that as a significant risk," admits Johnson. "On Day One, we didn't want to take on an American sales organisation."

Orange UK has since re-

cruited an outsider, Brian Whitley, to fill a new position as director of sales and marketing and it has set up the Orange Medical Instruments Sales Corporation in the U.S. gradually to take over marketing and distribution there.

Other potential trouble spots are less easily resolved, such as staff. At the moment, Orange UK's research team is split by about 9,000 miles. The two main brains behind two of its newest products—a small plastic device that fits under the eyelid and instantly measures oxygen in the blood, and a unit involving fibre optics for the measuring of oxygen and other blood gases during open heart surgery—are in California. Other product designers, and the engineers developing the all-important manufacturing systems for the products, are in Orange's plant in High Wycombe.

Nash maintains that the California team is well enough experienced to work independently, and in any case must be near customers in the company's largest market, America. Johnson hopes to solve the distance problem with cash for air fares.

That co-operation will be central to Orange's product development effort. The company at the moment is dependent for its manufacture.

Orange UK has since re-

about 60 per cent of its sales on one product, its 12-year-old Neocath 1000. This is a catheter which can monitor oxygen in the blood.

With turnover now running at about \$1.7m annually, Orange Investors are projecting sales of \$3.3m in 1986 and \$5m in 1987. But its managers are more optimistic. Projected market share estimates for current and coming products are conservative, Johnson insists. The eyelid device, called the Orange Eyelet, is already one that may take off considerably bigger," he says. "It has already exceeded the plan."

The unit is something like a contact lens with a hole in the middle. It sits under the eyelid, the only place on the body where such direct but non-invasive contact with the blood can be made, and senses the amount of oxygen present.

"Ultimately, it's going to win out," says Dr William Shoback, professor of surgery at the Harbor UCLA Medical Center in Torrance, California, who has used the device in both clinical and experimental conditions.

Its potential market is huge, he adds, and includes the 25m operations performed each year in the U.S. Its chief hurdle "is to overcome the ultra-conservative attitudes of physicians," he says.

One of Johnson's chief complaints about his U.S. parent is that it tried to sell the device to a network of sales people rather than through special distributors.

The structure has since been changed to a hybrid of company sales managers and regional distributors.

Johnson admits the product's troubles are not just those of attitude. At recent visits to eight U.S. customers he heard complaints about the difficulty of assembling the device for use. The \$65 item comes as a kit, the assembly of which is a delicate task. A redesign should be completed in three months, adds Johnson.

He is banking on his company's new momentum to overcome such troubles. The cash infusion has already speeded even small development projects. During the crunch, for instance, Johnson was unable to sign a £23,000 contract for converting a prototype electronic monitor into a commercial version, which would be much smaller. The delay was holding up progress on a new blood gases monitor for use during heart bypass operations.

"Once we bad the cash, we could switch on lots of projects like that," he says. "Now we have the ability to move at a very fast rate."

At the meeting, Johnson is to be present to discuss the new adult training strategy. Places at the meeting can be reserved by telephoning Alex James on 01-321 1292.

Venture capital

3i seeks support for 'spinouts'

William Dawkins on the spawning of in-house ideas

HOW DO you encourage a separated executive to leave the security of a large corporation to work for himself? Still more difficult, how can he do it with the blessing and the financial backing of his employer? These questions were thrown into the limelight last month when 3i Ventures, a division of 3i, the largest provider of venture capital in Britain, unveiled a campaign to persuade more large corporations to form partnerships with ventures they have proved themselves.

The form in which the idea is presented may be new, but the concept is not—even if details of the kind envisaged by Taylor are not unique to the UK. A number of U.S. companies like IBM, AT&T and General Motors have produced spin-outs to make use of projects which have developed within their organisations, but which have proved to be outside their mainstream activities.

Gordon Dean, chief executive officer of Transatlantic Capital, London-based fund specialising in venture capital, says:

"A lot of U.S. companies take the view that unless they finance these hoffnungs they will lose them."

Siemens, the West German electricals giant, spun out an integrated circuit testing venture last year with the backing of Technic Venture Management, a Munich-based capital group in which it has a shareholding.

Sponsored spin-outs are almost unheard of in the UK, but recent examples of three-way ventures jointly owned by a big company, an institutional investor, and the company's management include Systems Simulation, a software business backed by Thorn EMI early last year, and HEME International,

which has a three-way management buy-out.

"This is a way of creating an entrepreneurial environment of a kind which cannot be achieved by the parent company simply setting up a new division down the road," says Taylor. It would allow managers to get the stimulation of running their own businesses without going it entirely alone. The holding by the parent companies of minority stakes in the new ventures would have the advantage of enabling them to keep the costs of risky new developments off their balance sheets until they wished to exercise a buyback option and take control once the ventures had proved themselves.

The conventional explanation why spin-outs are much less frequent in the UK than in the U.S. is that British managers are accustomed to it harder to sacrifice the security of working for a big company than their transnational counterparts.

He can think of several anonymous cases in which British finance directors have refused to back spin-outs of the kind, which might be financed internally. In later years, and that if they are good enough to win outside support, then they are certainly worth keeping inside the company.

"In the U.S., there is much more interest in keeping to the key strategy and spinning off peripheral activities, while in the UK people are more interested in preserving their companies' assets," maintains Lorenz.

Another barrier is the paucity of young British research and development managers with a strong business experience, a point said Lorenz.

The British practice of putting people in charge of profit centres at a much later age can be expected in the U.S.

He argues that a project stands the best chance of becoming a spin-out when the research and development managers involved are young, but have enough financial expertise and corporate power to hold their own in negotiations with the finance director.

panies to spin off their peripheral activities into his hands so far with no success.

The greatest barrier, he argues, is the fact that British finance directors tend to be given more authority over their research and development colleagues than in the U.S., where the three are often seen as equal importance to corporate strategy.

He can think of several anonymous cases in which British finance directors have refused to back spin-outs of the kind, which might be financed internally. In later years, and that if they are good enough to win outside support, then they are certainly worth keeping inside the company.

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Nickerson Turfmaster Limited

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COMMODITIES AND AGRICULTURE

Farm Bill deadlock approaches

BY NANCY DUNNE IN WASHINGTON

THE 1981 U.S. farm programme became history yesterday, when the four-year law, which governed loan support prices and subsidies, expired.

But while the House of Representatives voted to extend a number of specific support programmes temporarily from midnight last night, Congress and the Administration seem to be heading for a deadlock over a replacement measure.

Meanwhile, Congress and the Administration seem to be heading for a deadlock on a replacement measure.

Although the House and Senate agriculture committees have given the Administration the lower loan supports it requested, they have insisted on maintaining income supports for the next several years and thus have exceeded the Congressional budget resolution by billions of dollars.

Last Thursday the House made clear that it would not be cowed by the President's threats to veto a "budget busting" measure. By wide margins — with Republicans joining Democrats — the House defeated Administration attempts to cut dairy and sugar price supports.

The Senate is expected to begin debate on its Bill on October 15. There is a major bill is abiding up over the three years, a package also designed to assist the debt-burdened Latin American sugar producers, was defeated with more than 100 Republicans joining Democrats to say no.

A substitute dairy measure, which would limit price supports to levels of surplus milk production, got nowhere as Republicans were plainly swayed by warnings that some 48,000 dairy farmers might be forced out of business.

Yesterday, the House was preparing for a bruising battle over a plan to let wheat and feed grain producers vote on how they will be subsidised. Other amendments from the floor offer different formulae for raising or lowering price and income supports.

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The Harkin Bill received an unusual boost last weekend in a "farm aid" concert sponsored by the nation's leading country music stars. While raising \$10m, many of the

performers also pushed for passage of the Harkin legislation, described as "the only measure which can save family farmers."

Producers of winter wheat have begun their autumn planting in an atmosphere of uncertainty over the form of a final farm programme. If a strong set-aside package eventually emerges, they may have to plough under their seedlings. If price supports are lower, then they have to pay more in their cost of production.

In the end, the Congressional struggle may all be for naught. Many analysts believe Congress, pressed by its founders, must send a presidential Bill he will veto. In the absence of a national consensus, even a farm programme, the 1981 scheme may be resurrected for another year.

Eleventh hour coffee deal expected

BY DOUGLAS LEARMOND

AFTER TWO weeks of bargaining, nations closely involved in the world coffee trade yesterday appeared set for a last-minute compromise on regulating the international market for another year.

The annual talks between the 75 members of the International Coffee Organisation (ICO), on how much coffee should be made available during the coffee year beginning October 1 to keep world prices within a target range, were due to end last Friday. But after three days of extensions, Mr Hans Buchmann of Switzerland, the ICO Council chairman, said he believed agreement on a new package would be reached by last night after delegates had a chance to refer to the latest proposals to their governments.

Government and trade delegates to the meeting said details of the agreement were likely to be finalised some time after the coffee futures market finished trading in New York.

Annual bargaining on quotas

and prices nearly always drags on to the last minute. In some years negotiators have "stopped the clock" after failing to meet the end-September deadline.

As in past years, debate has been fiercest over the size of the export quota shared between the ICO's 50 producing members, who between them account for 99 per cent of all world exports.

The 1984-85 coffee year began with a global quota of 61m bags of 60 kilos each, a figure which was gradually pared down to 52.2m by the end of the year after a batch of quota cuts was implemented to keep prices within the agreed band of 120 to 140 cents a pound.

Producers have been keen to keep the global quota as small as possible this year to try to revive world prices, which are currently hovering below the ICO's 120 cents a pound floor price.

Consuming countries, however, anxious about possible supply shortages, particularly

during the approaching high consumption winter months, were wary of agreeing on too restrictive a figure.

Latest indications suggested that last-minute horse trading would produce a figure somewhere between the extremes proposed by hardliners on both sides of 55m and 60m bags.

But consumers were just as concerned to ensure that producers actually shipped all the quota they were allocated. They complained that undershipments had not only kept world prices artificially high but coincided with record sales of coffee to non-members of the ICO, usually at prices well below those paid by ICO members.

It was generally thought that the temporary shutdown will cut the company's daily ore output to 46,000 from 79,000 tonnes. Copper production in the six months ended June 30, fell to 118,12m lbs from 125,93m in the first half of 1984.

Last July it suspended work at one open-pit mine and a mill in Cebu province. Its underground mine and one other concentrator will continue to operate, Sr Ong said.

LONDON METAL EXCHANGE WAREHOUSE STOCKS (Changes during week ending last Friday)

(tonnes)

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Zinc +25 to 33,275

(ounces)

Silver -32,000 to 54,978,000

Japan relaxes tobacco shipment controls

BY YOKO SHIBATA IN TOKYO

JAPAN TOBACCO has decided to let U.S. shipping lines transport American-produced leaf tobacco from October as part of its series of market-opening measures designed to reduce trade frictions with Washington.

The company—which was born out of the privatisation of two state-controlled companies, Japan Tobacco and Salt Public Corporation, earlier this year—has notified its decision to the U.S. Government and the two shipping lines, American President Lines and Sealand Service.

Japan Tobacco plans to purchase about 45,000 tons of leaf tobacco from the U.S. between

next October and March 1986, 32,000 of which will be bought indirectly through trading houses. The remaining 12,000 tons will be directly purchased and transported by five Japanese shipping lines.

The question of using U.S. vessels to transport American leaf tobacco has been a bone of contention between Tokyo and Washington since March 1982, with the Special Trade Representative repeatedly demanding access for U.S. shipping lines and Sealand Service.

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The Tea Brokers' Association of London demanded some 2,715 packages on offer as "fairly good although somewhat selective."

Japan's tobacco export market has collected demand for 2,715 packages on offer as "fairly good although somewhat selective."

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Financial Times Tuesday October 1 1985

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Threats of selling suppress \$

The dollar closed little changed, after a confirmed day, when the improvement in recent U.S. economic data was offset by the continued threat of central bank intervention. Friday's better than expected U.S. trade figures were followed yesterday by a rise of 0.7 per cent in August U.S. leading economic indicators. This was towards the top end of the forecast range, while the July increase was revised up to 0.7 per cent from 0.4 per cent.

This helped the dollar recover to show small mixed changes at the London close, but the threat of intervention prevented any real rise. The U.S. currency began a steady note, after comments by Japanese officials about the need to increase the yen's value. Dealers suggested the Bank of Japan may have sold a small amount of dollars when the dollar touched a high of ¥101.2 in Tokyo, pushing it down to ¥101.30, the lowest level since December 1981. The German Bundesbank also maintained a presence in the market, intervening at the Frankfurt fixing but probably not on the open market.

The dollar closed unchanged at DM 1.6785 and rose to DM 1.6945 from SWF 1.9125, but fell to FF 8.17 from

FF 8.18; and Y216.35 from Y218.45.

On Bank of England figures

the dollar's exchange rate index fell to 131.9 from 132.2.

E IN NEW YORK

	Sept. 30	Prev. close
4 Spot	\$1.4681-1.4685	N/A
4 Spot	\$1.4681-1.4685	pm N/A
12 months	8.00-8.05	N/A

Forward premiums and discounts apply to the U.S. dollar.

STERLING — Trading range for the dollar in 1985 is 1.4405-1.6322. Last average 1.4405-1.5625. Exchange rate index fell 0.3 to 50.2 but finished at the highest level of the day, it opened at 79.7, and touched a low of 79.6 at 10 am, before slowly recovering.

Sterling recovered after a bout of early weakness, to close slightly higher against most major currencies, apart from Japanese yen. Concern over oil prices, ahead of this week's meeting of Opec ministers, and rumours about British entry into the EMS depressed the pound initially. It recovered, however, and closed at the day's peak of 91.70. Sterling also rose to 91.70 on Friday.

The dollar closed unchanged at DM 1.6785 and rose to DM 1.6945 from SWF 1.9125,

but fell to FF 8.17 from

FF 8.18; and Y216.35 from Y218.45.

On Bank of England figures

the dollar's exchange rate index fell to 131.9 from 132.2.

FINANCIAL FUTURES

Eurodollars ease

Euro-dollar prices were lower in the London International Financial Futures Exchange yesterday. Trading positions may have reflected Friday's disruption, when markets closed because of a hurricane, and after opening at 91.69, the December price moved in a very narrow range ahead of U.S. leading economic indicators.

Initial reaction to a rise in August of 0.7 per cent was rather neutral since this was much in line with market expectations. However, values were marked down as the July figures rose to a revised 0.7 per cent from 0.4 per cent. The decline was viewed as a downward revision in June's figure to a rise of 0.2 per cent from 1.0 per cent attracted renewed buying, so that December came back from a low of 91.62 to touch a high of 91.70. Despite a lower overall opening, Federal funds rates in the call market remained stable and as short term funds became more expensive on price falls. December closed at 91.68 down from 91.73 on Friday.

The market will also be watching today's meeting of the Federal Open Market Committee and the release on Friday of the previous month's minutes. In addition there is still a reasonable body of opinion hoping for an early reduction in the U.S. discount rate.

Sterling based instruments opened lower, reflecting the pound's weaker trend, and were gradually sold during the day. Some buyers did develop into lower levels. The trading remained very nervous in view of sterling's recent weakness and speculation about UK entry into the EMS.

Currency options showed little change, with the low volume reflecting a lack of movement in the dollar-sterling rate.

POUND-S\$ (Foreign Exchange)

Sept. 30 1-month 3-month 12-month

1,3905-1.4005 1,4085-1.4095

0.65-0.65 pm

3.96 1.47-1.47 12.00 3.25

0.67-0.67 pm

3.24-3.28-3.33 1.50

0.68-0.68 pm

3.24-3.28-3.33 2.00

0.69-0.69 pm

3.24-3.28-3.33 2.15

0.70-0.70 pm

3.24-3.28-3.33 2.15

0.71-0.71 pm

3.24-3.28-3.33 2.15

0.72-0.72 pm

3.24-3.28-3.33 2.15

0.73-0.73 pm

3.24-3.28-3.33 2.15

0.74-0.74 pm

3.24-3.28-3.33 2.15

0.75-0.75 pm

3.24-3.28-3.33 2.15

0.76-0.76 pm

3.24-3.28-3.33 2.15

0.77-0.77 pm

3.24-3.28-3.33 2.15

0.78-0.78 pm

3.24-3.28-3.33 2.15

0.79-0.79 pm

3.24-3.28-3.33 2.15

0.80-0.80 pm

3.24-3.28-3.33 2.15

0.81-0.81 pm

3.24-3.28-3.33 2.15

0.82-0.82 pm

3.24-3.28-3.33 2.15

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3.24-3.28-3.33 2.15

1.00-1.00 pm

3.24-3.28-3.33 2.15

1.01-1.01 pm

3.24-3.28-3.33 2.15

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3.24-3.28-3.33 2.15

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3.24-3.28-3.33 2.15

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3.24-3.28-3.33 2.15

1.05-1.05 pm

3.24-3.28-3.33 2.15

1.06-1.06 pm

3.24-3.28-3.33 2.15

1.07-1.07 pm

3.24-3.28-3.33 2.15

1.08-1.08 pm

3.24-3.28-3.33 2.15

1.09-1.09 pm

3.24-3.28-3.33 2.15

1.10-1.10 pm

3.24-3.28-3.33 2.15

1.11-1.11 pm

3.24-3.28-3.33 2.15

1.12-1.12 pm

3.24-3.28-3.33 2.15

1.13-1.13 pm

3.24-3.28-3.33 2.15

1.14-1.14 pm

3.24-3.28-3.33 2.15

1.15-1.15 pm

3.24-3.28-3.33 2.15

1.16-1.16 pm

3.24-3.28-3.33 2.15

1.17-1.17 pm

3.24-3.28-3.33 2.15

1.18-1.18 pm

3.24-3.28-3.33 2.15

1.19-1.19 pm

3.24-3.28-3.33 2.15

MARKET REPORT

LONDON STOCK EXCHANGE

RECENT ISSUES

Selected leaders and international stocks edge higher

FT index up 9.8 more at 999.4

Account Dealing Dates

*First Dealing, Last Account Dealings, Dealing Day
Sept 2 Sept 12 Sept 15 Sept 23
Sept 16 Sept 26 Sept 27 Oct 7
Sept 30 Oct 10 Oct 11 Oct 21

New-Time dealings may take place from 9.30 am two business days earlier.

London equity markets maintained last Friday's recovery movement as the two-week trading Account got under way yesterday. The further improvement was again largely attributable to currency influences, although the favourable outlook for the UK economy as shown by the Liverpool University Research Group gave a further boost to underlying sentiment.

Early weakness in sterling yesterday against the U.S. dollar encouraged demand for international equities at the outset. Interest in these was tended to fade as the pound began to rally, but this was compensated to a certain extent by the appearance of buyers for selected blue chip industrials and the tone remained firm throughout the session.

The lack of any guidance from Wall Street following its enforced closure of the centre last Friday made for a little caution at the opening, but the Financial Times Ordinary share index gradually improved to close 9.8 higher at 999.4 for a two-day rise of 19.8.

Overall, the volume of trade was relatively small. However, the day's business was enlivened by James Neil's takeover bid for Spacs and Jackson. Weekend Press mention provided some of the more noteworthy movements and induced a flurry of speculative buying in the Merchantile and commodity sectors. Oil leaders held steady after last Friday's good gains. Elsewhere, company trading statements kept dealers on their toes.

Business in Government securities was rather quiet and mainly reflected routine trading. Dealers, however, took note of the latest statement in sterling and lowered quotations in fraction at the opening. Thereafter, prices fluctuated narrowly before settling around 14 lower on the day.

Hambros jump

Merchant banks rose sharply on revised takeover speculation. Hambros were the principal favoured, rising 15 to 153p in response to weekend Press suggestions of a bid from Goldman Sachs of the U.S.; Hambros moved up 5 to 200p in sympathy. Schroders advanced 8 in a thin market to £10.4, while Mercury Securities put on 15 to 510p and Kleinwort Benson added 10 to 470p. Hill Samuel improved to 30p and Guinness moved to 10p and 21p. The major clearers edged forward in sympathy with the general trend. Lloyds led the way with a gain of 10 at 410p. Elsewhere, Dentsche were notable for a rise of 6 points in EMT21p.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Mon Sept 30 1985						Fr. Sept 27	Thur. Sept 25	Wed Sept 24	Year ago (approx.)
	Index No.	Day's Change %	Est. Earnings Year's Rate (Mills)	Gross Div. Year's Rate (Mills)	Est. P/E Ratio (Act/30%)	nd adj. YTD to Date	Index No.	Index No.	Index No.	Index No.
1 CAPITAL GROUP (206)	500.21	+0.2	11.31	4.44	11.00	10.57	500.21	500.21	500.21	500.22
2 Building Materials (22)	235.14	+8.1	12.31	4.99	10.10	12.55	524.65	533.43	540.04	540.20
3 Contracting, Construction (28)	824.78	-12.4	5.04	10.30	22.79	22.49	524.61	520.24	515.99	515.99
4 Electricals (13)	142.21	+0.5	11.29	5.38	11.35	17.39	1418.43	1421.36	1420.28	1417.92
5 Electronics (39)	125.25	+0.3	12.10	3.59	10.91	30.27	1252.44	1261.54	1260.54	1260.41
6 Mechanical Engineering (61)	301.61	-	11.15	4.73	10.87	9.75	301.61	301.61	301.61	301.61
7 Metals and Metal Forming (7)	205.57	+1.4	12.73	7.75	12.53	203.59	203.42	204.22	203.74	203.74
8 Motors (16)	170.74	+1.2	13.32	4.97	9.13	4.96	169.04	169.57	169.29	169.24
9 Other Industrial Materials (20)	108.37	-	8.11	3.90	10.60	10.60	91.68	92.60	92.60	92.60
10 Other Industrial Materials (20)	107.18	-	12.56	4.72	10.56	10.56	91.71	92.71	92.71	92.71
11 Paints, Coatings (17)	714.19	+0.2	9.67	4.05	13.04	12.51	712.41	706.77	695.54	694.10
12 Paper Manufacturing (22)	468.18	+0.2	12.12	5.01	10.66	11.44	464.24	463.67	464.89	464.10
13 Food Retailing (14)	158.28	+1.0	6.17	2.64	21.92	22.75	1570.51	1556.96	1551.83	1557.95
14 Health and Household Products (9)	108.14	+1.1	6.61	2.86	17.75	19.95	107.57	107.57	107.57	107.64
15 Leisure (23)	678.76	+1.0	8.43	4.09	22.56	22.77	666.85	657.97	657.97	658.63
16 Newspapers, Publishing (12)	233.08	-	7.47	4.07	49.07	49.07	232.00	232.00	232.00	232.00
17 Printing and Paper (13)	233.08	+0.3	10.14	4.35	11.76	11.76	231.91	230.51	230.51	230.51
18 Stores (42)	719.56	+2.5	7.12	2.87	19.00	18.10	709.58	701.49	702.60	695.00
19 Textiles (16)	334.35	+0.2	12.92	4.99	9.79	8.08	331.71	328.85	327.26	327.34
20 Tobacco (3)	723.07	-1.3	18.65	6.22	6.11	30.77	723.27	714.72	714.91	723.89
21 OTHER GROUPS (100)	683.76	+0.7	9.33	4.17	13.88	12.75	678.84	676.55	677.19	677.19
22 Chemicals (19)	644.71	+1.2	14.74	5.08	25.73	25.73	645.95	645.95	645.95	635.34
23 Office Equipment (4)	129.00	-	4.45	2.45	12.19	12.19	128.70	128.70	128.70	128.70
24 Transport, Travel, Trade (11)	1299.88	+1.0	7.98	4.47	15.62	16.20	1278.44	1278.70	1281.74	1281.70
25 Miscellaneous (54)	925.07	+1.0	7.83	3.73	15.49	15.49	916.90	916.11	916.11	916.45
26 Telephone Networks (2)	899.13	+0.2	8.27	3.61	16.13	14.38	897.92	899.13	899.13	899.13
27 IMMOBILITI GROUP (483)	646.17	+0.6	9.75	4.08	12.96	12.22	643.19	643.03	643.35	636.36
28 Oils (17)	312.07	+0.3	16.52	7.67	7.43	6.06	312.04	312.04	312.04	312.04
29 SOH SHARE INDEX (500)	687.98	+0.4	10.63	4.54	11.81	11.81	685.62	687.64	689.17	677.47
30 FINANCIAL GROUP (135)	472.62	+0.7	—	5.11	14.44	145.26	465.82	467.55	468.26	468.26
31 Banks (6)	466.64	+0.7	19.45	6.43	7.35	20.18	455.54	455.10	455.24	455.29
32 Insurance (Life) (9)	725.13	-0.2	—	4.47	22.05	22.54	724.51	724.77	731.34	731.25
33 Insurance (General) (7)	252.24	-	—	5.29	9.25	9.25	252.00	252.00	252.00	252.00
34 Life Assurance (14)	104.14	+0.3	7.45	3.75	21.42	21.42	103.87	103.87	103.87	103.87
35 Merchant Banks (11)	248.45	+0.4	—	4.54	5.00	240.22	240.15	241.92	250.70	250.70
36 Property (51)	671.05	+1.3	5.60	3.68	23.94	23.94	663.84	663.83	663.83	663.83
37 Other Financial (24)	273.76	+0.6	10.94	6.08	10.37	10.37	273.37	273.37	277.10	255.55
38 Investment Trusts (107)	581.03	+0.7	8.01	3.63	882.11	11.69	573.92	574.10	599.97	599.97
39 Mining Finance (3)	250.12	-1.1	13.06	6.21	8.33	8.37	250.37	250.37	250.37	250.37
40 Overseas Traders (14)	569.87	+0.6	13.33	6.99	9.33	24.01	571.01	571.45	592.65	592.65
41 All-Share Index (779)	626.24	+0.6	—	4.63	16.67	16.67	622.37	618.68	619.89	619.37
42 FT-SE 100 SHARE INDEX	1290.0	+0.3	1290.4	1283.0	1280.7	1270.8	1280.1	1282.1	1272.7	1272.7

FIXED INTEREST

	AVERAGE GROSS REDEMPTION YIELDS					
	Mon Sept 30	Tue Sept 30	Wed Sept 29	Thur Sept 28	Fri Sept 27	Sat Sept 26
PRICE INDICES						
British Government	Mon Sept 30	Day's Change %	Fri Sept 27	ad. adj. 1985	to date	
1 5 years	129.44	+0.07	119.43	—	8.85	
2 5-15 years	134.06	-0.09	134.20	—	10.32	
3 Over 15 years	139.14	-0.09	139.27	—	9.92	
4 Irredeemables	152.71	-0.22	153.03			

WORLD STOCK MARKETS

OVER-THE-COUNTER

Number of relevant variables: 8.30 ± 0.01

* Indicates pre-lease figure

NYSE COMPOSITE CLOSING PRICES												
12 Month High	Low	Stock	P/	52 Wk	Div.	Y.M.	E	100s High	Low	Class Prev.	On Day	
225	205	Corp1225.10	1314	391	282	367	-	225	205	225	-1	
57	51	Valero	103	151	102	122	-	57	51	57	+1	
14	12	Vtcr p3.44	14	40	25	25	+2	14	12	14	+2	
21	19	Vtcr	21	25	27	27	+2	21	19	21	+2	
25	19	VtcrDm	1	43	7	25	25	25	19	19	-1	
24	24	Vtcr	58	42	42	42	-1	24	24	24	-1	
26	24	Varian	10	17	10	25	-	26	24	26	-1	
64	60	Vtcr	40	33	33	21	12	14	12	14	+1	
18	16	Veeco	40	25	25	16	16	16	16	16	-1	
35	35	Vendo	17	17	16	55	52	52	35	35	-1	
91	84	VestSel.22a	11	11	11	11	-1	91	84	91	-1	
48	47	Viacom	48	10	21	89	47	45	45	47	-1	
35	35	VAP p1	5	11	10	10	49	45	45	35	-1	
85	85	VAP p17.20	11	150	45	45	45	45	45	45	-1	
132	132	Viatzay's	15	68	24	24	24	45	45	45	-1	
392	392	Vormed	24	20	15	53	22	55	+2	14	14	
24	24	Vtcr	24	20	15	53	22	55	+2	14	14	
355	355	Weyr	p2.00	7.2	11	359	352	359	-1	355	355	
57	57	Weyr	p4.50	9.3	29	481	48	481	+1	57	57	
25	25	WjM/PK			125	251	251	251	+1	25	25	
25	25	Wiarco	.88	18	13	50	25	25	+1	25	25	
151	151	WmnCm			2678	309	317	+1	151	151		
148	148	WmnCm1.14	4.0	12	1743	57	362	369	+1	148	148	
152	152	WmnGal.08	4.6	3	19	221	216	216	-1	152	152	
24	24	WmnWr.2.43	12	7	147	214	212	214	-1	24	24	
60	60	Waste	.92	13	13	547	572	572	-1	60	60	
26	26	Watkin	.36	18	13	155	212	212	+1	26	26	
25	25	WayGo2d	2.2	8	4	94	94	94	-1	25	25	
42	42	WearU			15	48	44	48	-1	42	42	
25	25	West p1.85k			1	94	94	94	-1	25	25	
25	25	WebbO.20s	1.1	2	319	173	173	173	-1	25	25	
25	25	WebbR			62	184	184	184	-1	25	25	
25	25	WebbM.3			22	374	312	312	+1	25	25	
25	25	WellF.2.40	4.5	7	161	524	524	524	-1	25	25	
25	25	WellF/2.80	11	10	70	245	245	245	-1	25	25	
18	18	Wendy's	.21	14	15	3137	15	15	+1	18	18	
12	12	WestCo	.48	2.5	13	17	252	252	-1	12	12	
27.5	27.5	WespP/20.20	5.7	13	57	358	358	358	+1	27.5	27.5	
22	22	WestSt p1.04			28	65	113	113	-1	22	22	
25	25	Whirlp			493	337	337	337	-1	25	25	
25	25	Whirlp p1.5			102	222	222	222	-1	25	25	
25	25	Whirlp p1.5			327	16	16	16	-1	25	25	
25	25	Whirlp p1.5			395	16	16	16	-1	25	25	
25	25	Whitc.1.68	5.2	15	113	264	264	264	-1	25	25	
25	25	Whitsh			18	12	12	12	-1	25	25	
25	25	Whitsh .60	2.9	10	620	212	212	212	-1	25	25	
25	25	Whibid	4.5	60	10	94	94	94	-1	25	25	
25	25	Whild n			3	37	117	117	-1	25	25	
25	25	WilcoxG.10	3.3	14	103	298	277	277	-1	25	25	
25	25	William1.40	53	14	95	32	32	32	-1	25	25	
25	25	WilmE			75	32	32	32	-1	25	25	
25	25	WilmQ.10	1.6	60	60	60	60	60	-1	25	25	
25	25	WinDirx.1.74	5.1	15	172	348	348	348	-1	25	25	
25	25	Winnbg	2.2	5	79	9	9	9	-1	25	25	
25	25	Winner	265	64	64	64	64	64	-1	25	25	
25	25	WinterJ	4	64	64	64	64	64	-1	25	25	
25	25	WiscP/2.48	7.1	5	301	354	340	355	-1	25	25	
25	25	WisG p2.55			405	254	254	254	-1	25	25	
25	25	WiscP/2.78	7.9	2	65	35	345	345	-1	25	25	
25	25	WiscP/32.65	7.9	2	137	363	363	363	-1	25	25	
25	25	Wico	1.45	42	6	28	353	353	353	-1	25	25
25	25	WohnW.24	1.5	36	133	12	12	12	-1	25	25	
25	25	Wolwth	2	42	10	104	49	49	-1	25	25	
25	25	WodAr			472	472	472	472	-1	25	25	

第二章 简介

Chief price changes

LONDON		Other price changes (in pence unless otherwise indicated)
RISES	FALLS	
Belgrave	92 + 7	Robinson (T) 122 + 6
Burton	235 + 8	Rowntree Mac 308 + 8
GKN	226nd + 6%	Schroders 510% + %
Hambros	183 + 15	Spear & Jordon 216 + 48
Hestair	114 + 8	Thorn EMI 384 + 7
ICI	663 + 14	Tyzack Turn 113 + 10
Jacks (Wm)	29 + 3	Vickers 293nd + 7
Lucas Inds	388 + 8	Vosper 177 + 19
Marks & S	163 + 4	WSL 84 + 10
New L'don Oil	55 + 5	Westland 68 + 3
Pearson	310 + 12	Allied-Lyons 288 - 7
Pemland	310 + 25	Inchcape 323 - 15
Petranol	140 + 10	Mnemos 10 - 5
Pressac	93 + 13	Securicor 93 - 7
Roberts Ad	165nd + 17	Sovereign Oil 115 - 8

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will change neither hotel nor newspaper.
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Regency, Frantel, Sofitel Splendid.

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Kidder, Peabody Securities Limited

Market Makers in Euro Securities

An affiliate of
Kidder, Peabody & Co.

Incorporated
February 1965

Founded 1865

NYSE COMPOSITE CLOSING PRICES

Condensed from Page 40.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on

a-dividend also dividend, b-annual rate of dividend plus stock dividend, c-liquidating dividend, old-called d-new yearly low, e-dividend declared or paid in preceding 12 months, g-dividend in Canadian funds, subject to 15% non-resident tax, i-dividend declared after split-up or stock dividend, j-dividend paid this year, entitled, deferred, or no action taken at latest dividend meeting, k-dividend declared or paid this year, an accumulated issue with dividends in arrears, n-new issue in the past 22 weeks. The high-low range begins with the start of trading; nd-next day delivery, P/E-price-earnings ratio, r-dividend declared or paid in preceding 12 months, plus stock dividend, s-stock split, t-dividends begin with date of split, u-latest, v-dividend paid in stock in preceding 12 months, estimated cash value of an dividend or ex-distribution date, x-new yearly high, v-leading listed, w-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such company, wd-distributed, un-undistributed, wr-with warrants, x-ex-dividend or ex-rights, xd-distribution date, wr-with warrants, y-ex-dividend and sales in full, vfd-voted, z-worthless warrants.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/	Sz:	E	100s	High	Low	Close	Chg/	Stock	Div	P/	Sz:	E	100s	High	Low	Close	Chg/	Stock	Div	P/	Sz:	E	100s	High	Low	Close	Chg/
AcmePr		23	26	250	250	-1	-1	-1	-1	AcmePr		23	26	250	250	-1	-1	-1	-1	AcmePr		23	26	250	250	-1	-1	-1	-1
Action		25	27	12	12	12	12	12	-1	Action		25	27	12	12	12	12	12	-1	Action		25	27	12	12	12	12	12	-1
AdRust		16	19	212	265	265	265	265	+16	AdRust		16	19	212	265	265	265	265	+16	AdRust		16	19	212	265	265	265	265	+16
Aeronic		26	73	11	51	51	51	51	-1	Aeronic		26	73	11	51	51	51	51	-1	Aeronic		26	73	11	51	51	51	51	-1
AllPbcs		80	19	86	440	434	434	434	+14	AllPbcs		80	19	86	440	434	434	434	+14	AllPbcs		80	19	86	440	434	434	434	+14
AirCal		4	56	56	56	56	56	56	-1	AirCal		4	56	56	56	56	56	56	-1	AirCal		4	56	56	56	56	56	56	-1
AlarCal1.20		47	119	119	119	119	119	119	-1	AlarCal1.20		47	119	119	119	119	119	119	-1	AlarCal1.20		47	119	119	119	119	119	119	-1
AlphaIn		57	6	11	11	11	11	11	-1	AlphaIn		57	6	11	11	11	11	11	-1	AlphaIn		57	6	11	11	11	11	11	-1
Amdech		20	15	701	120	120	120	120	+15	Amdech		20	15	701	120	120	120	120	+15	Amdech		20	15	701	120	120	120	120	+15
AlmPbcs		52	38	14	227	124	124	124	-1	AlmPbcs		52	38	14	227	124	124	124	-1	AlmPbcs		52	38	14	227	124	124	124	-1
AlmBld		2	21	1	51	51	51	51	-1	AlmBld		2	21	1	51	51	51	51	-1	AlmBld		2	21	1	51	51	51	51	-1
APrec		246	16	50	145	145	145	145	-1	APrec		246	16	50	145	145	145	145	-1	APrec		246	16	50	145	145	145	145	-1
ArRoyIn1.35e		444	13	13	125	125	125	125	+13	ArRoyIn1.35e		444	13	13	125	125	125	125	+13	ArRoyIn1.35e		444	13	13	125	125	125	125	+13
ASciE		24	49	57	94	94	94	94	+13	ASciE		24	49	57	94	94	94	94	+13	ASciE		24	49	57	94	94	94	94	+13
At&T		86	5	5	5	5	5	5	-1	At&T		86	5	5	5	5	5	5	-1	At&T		86	5	5	5	5	5	5	-1
Avonl		85	13	6	145	145	145	145	-1	Avonl		85	13	6	145	145	145	145	-1	Avonl		85	13	6	145	145	145	145	-1
B										B									B										
Banergr		16	64	64	64	64	64	64	-1	Banergr		16	64	64	64	64	64	64	-1	Banergr		16	64	64	64	64	64	-1	
BarryRG		5	41	41	41	41	41	41	-1	BarryRG		5	41	41	41	41	41	41	-1	BarryRG		5	41	41	41	41	41	-1	
Baruch		37	10	3	102	102	102	102	-1	Baruch		37	10	3	102	102	102	102	-1	Baruch		37	10	3	102	102	102	102	-1
BarzBr		32	13	408	125	125	125	125	-2	BarzBr		32	13	408	125	125	125	125	-2	BarzBr		32	13	408	125	125	125	125	-2
BatCo		72	8	74	327	327	327	327	-1	BatCo		72	8	74	327	327	327	327	-1	BatCo		72	8	74	327	327	327	327	-1
BatGr		40	18	18	18	18	18	18	-1	BatGr		40	18	18	18	18	18	18	-1	BatGr		40	18	18	18	18	18	18	-1
BatMkt		1	11	22	23	23	23	23	-1	BatMkt		1	11	22	23	23	23	23	-1	BatMkt		1	11	22	23	23	23	-1	
BatMkt		45	12	314	121	121	121	121	-1	BatMkt		45	12	314	121	121	121	121	-1	BatMkt		45	12	314	121	121	121	-1	
BatVal		40	12	19	125	125	125	125	-1	BatVal		40	12	19	125	125	125	125	-1	BatVal		40	12	19	125	125	125	125	-1
Bawmr		14	55	55	55	55	55	55	-1	Bawmr		14	55	55	55	55	55	55	-1	Bawmr		14	55	55	55	55	55	-1	
Bewe		44	53	53	53	53	53	53	-1	Bewe		44	53	53	53	53	53	53	-1	Bewe		44	53	53	53	53	53	-1	
Braing		150	78	234	234	234	234	-1	Braing		150	78	234	234	234	234	-1	Braing		150	78	234	234	234	234	-1			
C										C									C										
CDts		7	9	18	18	18	18	18	-1	CDts		7	9	18	18	18	18	18	-1	CDts		7	9	18	18	18	18	-1	
CMU	Cp	128	185	105	9	9	9	9	-1	CMU	Cp	128	185	105	9	9	9	9	-1	CMU	Cp	128	185	105	9	9	9	9	-1
CRS		34	11	84	14	14	14	14	-1	CRS		34	11	84	14	14	14	14	-1	CRS		34	11	84	14	14	14	-1	
CRMrc		30	55	152	152	152	152	-1	CRMrc		30	55	152	152	152	152	-1	CRMrc		30	55	152	152	152	152	-1			
Castta		80	6	15	15	15	15	15	-1	Castta		80	6	15	15	15	15	15	-1	Castta		80	6	15	15	15	15	-1	
CtryBu		18	11	152	152	152	152	-1	CtryBu		18	11	152	152	152	152	-1	CtryBu		18	11	152	152	152	152	-1			
ChmpH		72	12	21	21	21	21	21	-1	ChmpH		72	12	21	21	21	21	21	-1	ChmpH		72	12	21	21	21	21	-1	
ChmpR		72	13	21	21	21	21	21	-1	ChmpR		72	13	21	21	21	21	21	-1	ChmpR		72	13	21	21	21	21	-1	
ChmpR		72	14	21	21	21	21	21	-1	ChmpR		72	14	21	21	21	21	21	-1	ChmpR		72	14	21	21	21	21	-1	
ChmpR		72	15	21	21	21	21	21	-1	ChmpR		72	15	21	21	21	21	21	-1	ChmpR		72	15	21	21	21	21	-1	
ChmpR		72	16	21	21	21	21	21	-1	ChmpR		72	16	21	21	21	21	21	-1	ChmpR		72	16	21	21	21	21	-1	
ChmpR		72	17	21	21	21	21	21	-1	ChmpR		72	17	21	21	21	21	21	-1	ChmpR		72	17	21	21	21	21	-1	
ChmpR		72	18	21	21	21	21	21	-1	ChmpR		72	18	21	21	21	21	21	-1										

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FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Enthusiasm difficult to sustain

A STRONG gain in the Commerce Department's leading economic indicators helped Wall Street stocks hold steady yesterday although buyers appeared unenthusiastic, writes Terry Byland in New York.

Leading market indices were again distorted as the stock price of General Foods responded to the Philip Morris bid which came when the market was closed by Hurricane Gloria.

At the close the Dow Jones industrial average was 7.84 up at 1,328.63.

Bonds turned easier in response to the Commerce Department's indicators, and speculation about official credit policies died away ahead of today's meeting of the Fed's Open Market Committee.

On balance, market specialists believed the Fed would leave policy unchanged for the present - unless a specific plan was made to help the dollar down by easing U.S. interest rates.

In the stock market, oil provided the best feature. They were encouraged by a recommendation from a leading analyst who stressed he was identifying a short-term trading opportunity rather than a genuine recovery.

Exxon jumped 3½ to \$51½, although turnover was light. Also firm were Mobil, up 5¢ to \$29; Atlantic Richfield, up 3½ at \$61½, and Chevron, up 5¢ at \$37.4.

In a weak technology sector, IBM shed 3½ to \$123¾, while Burroughs stood out with a fall of 3½ to \$64¾. Other losses among the computer leaders were mostly small.

The domestic air carriers looked unstable on the fine of \$1.5m imposed on American Airlines for maintenance violations. At 39¾, American fell 5¢ while United shed 5¢ to \$47¾, but selling pressure was light in both cases. The sharp fall in the Dow transportation average was largely a reflection of the drop of 5¢ to \$44 in Federal Express, after last week's annual meeting left some analysts disappointed.

In a mixed defence/aerospace sector, United Technologies eased 5¢ to \$37¾ as the market awaited comment on rumours that the company might be interested in bidding for Westland, the helicopter manufacturer.

General Dynamics, down 5¢ at \$69¾, and McDonnell Douglas, down 5¢ at \$66¾, were other major defence stocks on the downward tack.

Stocks in Gould, the latest takeover hope, jumped 3½ to \$31½ in heavy turnover after Siemens of West Germany admitted discussions but denied making an offer.

Motor stocks continued to drift downwards as Wall Street brushed aside the boost to sales provided by generous financing plans by the major manufacturers. At 36¾, General Motors shed 5¢ to \$46, and Ford was 5¢ easier at \$44.

Topper on the active list was Richardson-Vicks, up 5½ to \$62¾, as a federal judge barred Richardson's defence plan. Wall Street hopes this will induce the Richardson directors to acquiesce to Unilever's offer - which will then be made at \$60 a share.

Stock in SCM edged up 5¢ to \$73½ following a court decision to allow Hanson Trust to buy shares in SCM.

Among the consumer stocks, General Foods was marked up 3½ to \$116¾, against the \$120 bid from Philip Morris, and more than 1m shares traded.

Philip Morris dipped 3½ to \$74¾, and some other speculative issues lost ground with the cigarette group's attention fully committed to the acquisition of General Foods. Pillsbury, another bid favourite, fell 2½ to \$56¾, and Quaker Oats at \$54¾ lost 5¢.

Revlon, the cosmetics group, bounded ahead 3½ to \$26 as Pantry Pride delisted raising its offer to \$30 a share, and the market waited for Revlon to open negotiations.

In the credit market federal funds moved up to 8 per cent, dragging three-month Treasury bill rates higher in their wake. Turnover in bonds was light, and prices shaded lower while waiting for the next move in the saga of the U.S. dollar.

The buying power of overseas investors seemed concentrated on a limited number of issues, partly explaining the huge DM 27.50 jump to a record DM 653.50 for Deutsche Bank. Other banks to finish at all-time peaks were Dresdner, up a more modest DM 5.90 to DM 292.40, and Commerzbank, DM 4.10 higher at DM 238.90.

The banking sector is poised to score impressive earnings figures for the current year while the likely cut in interest rates is expected to spur domestic loan demand. The sector is also forecast to reap healthy foreign exchange winds.

The softer dollar turned the car sector easier in places, with Porsche DM 10 down at DM 1,300, although BMW managed a respectable enough DM 5.30 rise to DM 478.50 on some large block purchases from overseas.

Utilities, always sensitive to interest-rate trends real or imagined, gained ground, with RWE at 1985 high of DM 211.50 with its DM 8 rally as Weba settled at a high for the year with its DM 13 advance to DM 261.

The demand for large-capital issues gathered momentum when the yen peaked at 215 to the dollar on the Tokyo foreign exchange market.

The Bank of Japan was expected to guide the yen to between Y200 and Y210 to the dollar, arousing hopes for a cut in the official discount rate.

Many securities companies, startled by the demand for large-capital issues, will keep a close watch on whether such

Hong Kong stock markets were closed yesterday for a holiday.

stocks will slip when the yen's value peaks. They noted that the bullish market was caused mainly by institutional investors, awash with funds, who were seeking immediate capital gains.

Large-capital issues accounted for nine of the 10 most-active stocks which represented 45.9 per cent of total turnover.

Nippon Steel added Y10 to Y186 and was the most active with 155.3m shares. Next was Mitsubishi Heavy Industries. With 71.7m shares traded, it firmed Y16 to Y17.

Tokyo Electric Power rose Y140 to an all-time high of Y2,830, with 17.4m shares changing hands.

Tokyo Gas climbed Y38 to Y365, Kawasaki Steel Y8 to Y167 and Kobe Steel Y20 to Y233.

Mitsui and Co gained Y14 to Y494, reflecting hopes of lower interest rates.

Major contractors firmed, with Kajima putting on Y8 to Y588. Sekisui House jumped Y48 to Y1,030, Wakachiku Construction Y65 to Y115 and Sato Kogyo Y34 to Y490.

Electric railways, properties and other issues with heavy off-the-book assets were also popular. Toto Railway added Y16 to Y486 and Mitsubishi Estate Y60 to Y1,120.

Some blue chips strengthened on small-lot buying with Matsushita Electric Industrial rising Y10 to Y1,060. But others remained lacklustre.

Biotechnology-related stocks lost ground on widespread light selling, with Yamamoto Pharmaceutical shedding Y120 to Y2,930 and Daiichi Seiyaku Y70 to Y1,620.

Bond prices also hardened in busy trading by securities firms and banks. The yield on the 8.8 per cent government bond due in December 1994 slipped to a record low of 5.675 per cent from 5.720 on Saturday.

SINGAPORE

PROFIT-TAKING put an end to last week's upward trend in Singapore where the Straits Times industrial index shed 11.73 points to close at 778.06 in active trading.

Turnover fell to 18.9m shares from Friday's 35.6m.

Most active was Pahang which ended the day 6 cents up at 63 cents with 3m shares traded.

Elsewhere among the actives, the trend was mostly downwards. North Borneo Timber eased 36 cents to \$1.90, and Pan Electric fell back 17 cents to \$1.94.

Other falls included Straits Trading, down 15 cents at \$3.00 ex-scrip, Haw Par, 4 cents lower at \$62.17, and Cold Storage, 6 cents lower at \$33.04.

Hotels, properties and commodities eased in line with the trend.

SOUTH AFRICA

A LACK of direction, particularly for golds, left Johannesburg mixed in moderate trading.

The few movers among golds included Kurosh, which shed 50 cents to R14.25, and Kloof, which gained 25 cents to R22. Other minings and mining financials were little changed.

Elsewhere, Barlow Rand added 5 cents to R11.70, AE & CI was unchanged at R1.60 and Anglo American Corp was 5 cents down at R33.75.

EUROPE

Frankfurt climbs to eighth peak

PERSISTENT foreign buying developed in Frankfurt yesterday taking the Commerzbank index to its eighth record peak for September with a 24.3 point rise to 1,565.7.

The buying power of overseas investors seemed concentrated on a limited number of issues, partly explaining the huge DM 27.50 jump to a record DM 653.50 for Deutsche Bank. Other banks to finish at all-time peaks were Dresdner, up a more modest DM 5.90 to DM 292.40, and Commerzbank, DM 4.10 higher at DM 238.90.

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The Bank of Japan was expected to guide the yen to between Y200 and Y210 to the dollar, arousing hopes for a cut in the official discount rate.

Many securities companies, startled by the demand for large-capital issues, will keep a close watch on whether such

stocks closed lower in light trading, with Elf FFr 3.90 down at FFr 184 ahead of results, while ESN edged FFr 40 down to FFr 2,060 before its lower profits for the first half were released.

Holding companies found support in a stronger Brussels as Groupe Bruxelles Lambert picked up BFr 15 to BFr 2,065 on further consideration of its recent results and forecast. Gevaert scored a BFr 90 advance to BFr 4,200 while in the chemical sector UCB lost BFr 60 to BFr 5,200 and Solvay firmed BFr 50 to BFr 5,380.

Internationals were mixed in a firmer Amsterdam, with analysts suffering a change of heart over national carrier KLM which is now felt well positioned



to buffet the stormy movements in the dollar. The airline, now in the middle of its trading range for the year, added 20 cents to FFr 54.40.

Philips meanwhile shed 20 cents to FFr 41.40 on the effect the dollar is likely to have on its profits although Unilever, likely to conclude its latest U.S. corporate raid soon, picked up 40 cents to FFr 328.40. Bond prices, where changed, eased.

A lacklustre Stockholm saw Electrolux, the most active, shed SKr 3 to SKr 144 ex-scrip. Active trading took Madrid higher.

CANADA

THIN trading left many stocks lower in Toronto after registering gains at the end of last week.

Oils, which had sparked Friday's rally, were generally down. Husky Oil fell C\$3½ to C\$9¾, and Dome Petroleum was down 3 cents to C\$2.75.

Elsewhere, Northern Telecom declined C\$9¾ to C\$45, and National Victoria and Grey Trust was down C\$2½ to C\$20.

In Montreal banks and utilities traded lower while industrials firmed.

AUSTRALIA

Record run refuelled by BHP

WIDESPREAD demand in most sectors helped boost Sydney to its third consecutive record high.

The All Ordinaries index ended the day 6.5 up at 971.0, fuelled by busy trading in BHP, a shortage of stock and continued takeover rumours.

Turnover was 35m shares, worth A\$56.3m. Gains, mostly among industrials, outpaced losses by 256 to 187.

BHP added 16 cents to A\$7.64, still buoyed by record quarterly profit results of A\$304.2m announced on Friday.

Bell Resources added 62 cents to A\$8.80, CSR 10 cents to A\$3.40 and Peko 6 cents to A\$5.6, but North Broken Hill lost 5 cents to A\$2.45 and MIM was down 14 cents to A\$2.42.

Media shares also ended the day higher. Fairfax surged 30 cents to A\$3.30 and News Corp 20 cents to A\$7.60.

Oil and gas stocks were firmer, with Bridge up 4 cents to A\$2.34 and Santos 9 cents to A\$5.04.

Gold stocks were generally lower, with Kidston 6 cents down at A\$5.50 and Sons of Gwalia 2 cents to A\$1.80.

LONDON

INTERNATIONAL stocks and blue-chip industrials in London both benefited from the changing value of sterling.

Early weakness of the pound against the dollar boosted demand for industrials which faded later as sterling rallied. But this was offset by the appearance of buyers of blue-chip industrials.

The FT Ordinary share index ended 9.8 higher at 994.4.

Among the actives British Land added 5p to 105p, Camford Engineering 3½p to 46p, Speer & Jackson - subject of a takeover bid by James Neill - went up 46p to 216p and Deutsche Bank rose £3 to £32.25.

Government securities were quiet in routine trading, and prices settled around ¼ lower on the day.

Chief price changes, Page 45; Details, Page 44; Share Information service, Page 42-43

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KEY MARKET MONITORS				
End Month Figures				
Standard & Poors 500 (Composite)				
1980	100	100	100	100
1981	120	120	120	120
1982	140	140	140	140
1983	160	160	160	160
1984	180	180	180	180